

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**Borough of Mountain Lakes Board of Education  
Mountain Lakes, New Jersey**

**For the Fiscal Year Ended June 30, 2013**

**Prepared by**

**Borough of Mountain Lakes Board of Education  
Finance Department**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES SCHOOL DISTRICT

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## **Introductory Section**

Mountain Lakes Board of Education  
400 Boulevard  
Mountain Lakes, NJ 07046  
973-334-8280

September 6, 2013

Honorable President and  
Members of the Board of Education  
Mountain Lakes School District  
Morris County, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Mountain Lakes School District (District) for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the revised Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws, regulations, findings and recommendations, are included in the single audit section of this section.

1. REPORTING ENTITY SERVICES: The Mountain Lakes School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 14. All funds and account groups of the District are included in this report. The Mountain Lakes Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular programs, as well as the Lake Drive School for Deaf and Hard of Hearing Children. Lake Drive provides comprehensive educational services to deaf and hard of

hearing children ranging in age from infants through high school. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment*</u>	<u>Percent Change</u>
2005-2006	1627	-.99%
2006-2007	1591	-2.2%
2007-2008	1603	+.75%
2008-2009	1635	+.02%
2009-2010	1642	+1%
2010-2011	1626	-1.01%
2011-2012	1619	-.004%
2012-2013	1638	+1.2%

\*Includes non-resident students, Boonton Township students and students at the Lake Drive School for Deaf and Hard of Hearing Children.

2. ECONOMIC CONDITION AND OUTLOOK: The Mountain Lakes Public Schools 2013-2014 budget contains all the necessary elements to provide our students with a quality education. The district continues to provide a great diversity of courses at all levels. Consequently, we continue to offer a large number of courses, particularly at the high school level. Every effort, however, has been made to hold staff levels as well as general budget expenditures. The Board of Education recognizes the difficult position of our state and local economy and is making every effort to act responsibly. Despite the pressure on schools to reduce services, our budget supports our educational programs at the same levels as the prior year. There are no courses cut from the curriculum, class sizes remain relatively consistent.
3. MAJOR INITIATIVES: Respecting the difficult times we face, the Board worked closely with the Administration to develop a 2013-2014 Budget that reflects strong spending discipline as well as significant new sources of savings. The budget maintains our excellent educational program, while also addressing critical building repair needs. We have proposed over \$529,000 for capital outlay projects including renovation of science rooms and teaching stations in the high school, a new clock and PA system in Briarcliff School and a new roof at Lake Drive School. Thanks to tight spending control, creativity, newly identified savings, and non-tax-related revenues, we will achieve all of this within a budget requiring a minimal tax increase over the 2012-2013 school year.
4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be

derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2013.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.
7. DEBT ADMINISTRATION: At June 30, 2013 the District's outstanding debt total was \$12,980,000. In September 2003, the residents of the borough authorized an additional \$10,920,000 in debt. This authorization plus a state subsidy of approximately 4.7 million will be used to finance renovations and improvement totaling over 15.6 million. As of June 30, 2013, the remaining balance on this issue was \$7,600,000. At June 30, 2013 the remaining principal balance on the refunding bond issue was \$5,380,000.
8. CASH MANAGEMENT: The investment policy of the District is guided in large parts by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public

funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of T.M. Vrabel & Associates, LLC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the revised Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mountain Lakes School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

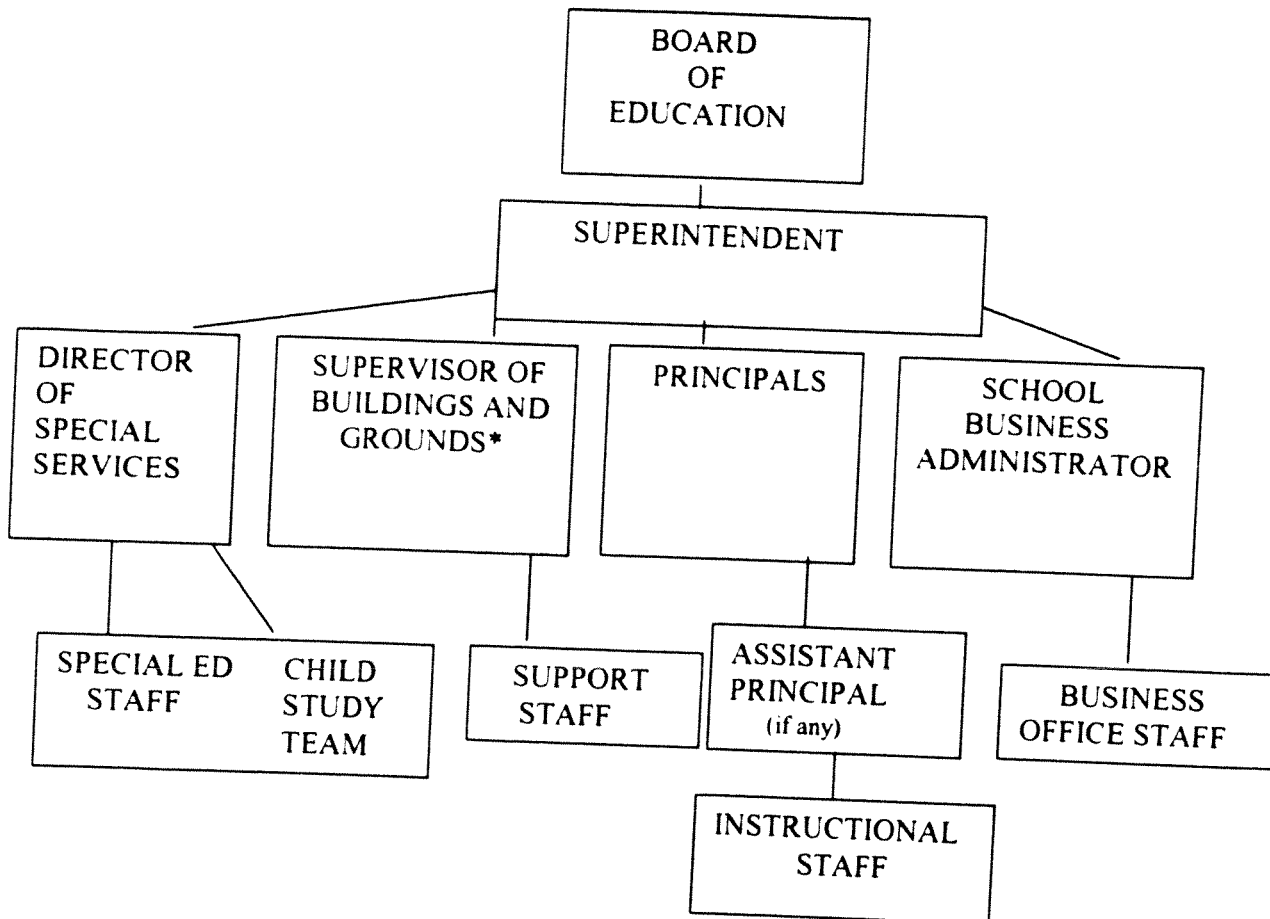


Anne Mucci, Ed.D.  
Superintendent



Daniel A. Borgo  
School Business Administrator/Board Secretary

MOUNTAIN LAKES BOARD OF EDUCATION  
ORGANIZATIONAL CHART  
(Unit Control)



Adopted: February 13, 2006  
Revised: January 19, 2010

\*Position shared with Borough of Mountain Lakes

**MOUNTAIN LAKES BOARD OF EDUCATION**

**ROSTER OF OFFICIALS  
JUNE 30, 2013**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Joanne Barkauskas, Vice President	2016
Diane Burch, President	2014
Joseph Cataliotti	2016
Allison Fenton	2014
David Gniewek, President	2014
Elena Goldthwaite	2015
Mark Laurenzi	2015
Catherine Mitchell	2015
Linda O'Sullivan	2016
Adrienne Charlton, Boonton Township Rep.	2014

**Other Officials**

Anne Mucci, Superintendent  
Daniel A. Borgo, Business Administrator/Board Secretary  
Ken Huelbig, Treasurer

# **MOUNTAIN LAKES BOARD OF EDUCATION**

## **Consultants and Advisors**

### **Architects**

Parette Somjen Architects, LLC  
439 Route 46 East  
Rockaway, NJ 07866

### **Audit Firm**

T.M. Vrabel & Associates, LLC  
350 Main Road, Suite 104  
Montville, NJ 07045

### **Attorney**

Porzio, Bromberg & Newman, P.C.  
100 Southgate Parkway  
Morristown, NJ 07962

Comegno Law Group, P.C.  
521 Pleasant Valley Avenue  
Moorestown, NJ 08057

### **Official Depository**

Bank of America  
100 Powerville Road  
Boonton Township, NJ 07005

## **Financial Section**

## **Independent Auditor's Report**

# *T. M. Vrabel & Associates, LLC*

## *Accountants and Auditors*

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*Timothy M. Vrabel, RMA, PSA*  
*Chris C. Hwang, CPA*

### INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Education  
Borough of Mountain Lakes School District  
County of Morris, New Jersey

#### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Mountain Lakes School District as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

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the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the Borough of Mountain Lakes School District as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Page 14 through 20 and budgetary comparison information of schedules C-1 and C-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Mountain Lakes School District's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, statistical tables and the Schedules of Expenditures of Federal Awards and State Financial Assistance as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements.

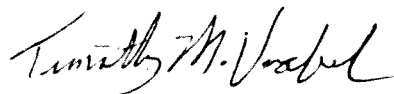
The combining and individual fund financial statements, long-term debt schedules and the Schedules of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, long-term debt schedules and the Schedules of Expenditures of Federal

Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures and applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2013 on our consideration of the Borough of Mountain Lakes School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Borough of Mountain Lakes School District's internal control over financial reporting and compliance.



Timothy M. Vrabel  
Public School Accountant  
License No. CS000689



Chris C. W. Hwang  
Certified Public Accountant  
License No. CC033704

Montville, New Jersey  
September 6, 2013

**REQUIRED SUPPLEMENTARY INFORMATION -  
PART I**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Mountain Lakes School District financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 23.

### FINANCIAL HIGHLIGHTS

- The district's net position decreased \$718,000 as a result of this year's operations. Net position of the district's business-type activities decreased \$7,000 and net position of governmental activities decreased by \$711,000, or 4.6 percent.
- Total cost of all of the District's operating programs was \$39.7 million in 2012-2013 as compared to \$37.3 million in 2011-2012.
- During the 2012-2013 school year, the District had tax and other program revenues that were less than expenses for governmental activities by \$718,000.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 23 and 24) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

#### Reporting the District as a Whole

##### The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 16. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition (from Boonton Township and the Lake Drive sending districts) and state and federal aid finance most of these activities.
- Business-type-activities: the operation of the District's Food Service operation is its only proprietary fund, and is shown on pages 31, 32 and 33.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the District's major funds begins on page 18. The fund financial statements begin on page 27 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

*Governmental funds:* most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on page 29.

*Proprietary funds:* when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The District as Trustee**

#### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 35 and 36. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities as of June 30.

**Table 1**  
**Net Position (in Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 3,796	\$ 4,939	\$ 154	\$ 136	\$ 3,950	\$ 5,075
Long term receivables		129			-	129
Capital assets	<u>24,058</u>	<u>24,380</u>	<u>12</u>	<u>14</u>	<u>24,070</u>	<u>24,394</u>
Total assets	<u>27,854</u>	<u>29,448</u>	<u>166</u>	<u>150</u>	<u>28,020</u>	<u>29,598</u>
Long-term debt outstanding	12,680	13,491			12,680	13,491
Other liabilities	<u>263</u>	<u>335</u>	<u>64</u>	<u>41</u>	<u>327</u>	<u>376</u>
Total liabilities	<u>12,943</u>	<u>13,826</u>	<u>64</u>	<u>41</u>	<u>13,007</u>	<u>13,867</u>
Net position:						
Net investment in capital assets	11,853	11,400	12	14	11,865	11,414
Restricted	2,771	3,984			2,771	3,984
Unrestricted (deficit)	<u>287</u>	<u>238</u>	<u>90</u>	<u>95</u>	<u>377</u>	<u>333</u>
Total net position	<u>\$ 14,911</u>	<u>\$ 15,622</u>	<u>\$ 102</u>	<u>\$ 109</u>	<u>\$ 15,013</u>	<u>\$ 15,731</u>

Net position of the District's governmental activities decreased by 4.6 percent. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$49,000. Restricted net position, those restricted mainly for capital projects decreased by \$1,213,000. Both net asset categories benefited from increased economic activity, which resulted in actual revenues exceeding budgeted revenues except for interest on investments. The net investment in capital assets increased by \$453,000.

**Table 2**  
**Changes in Net Position (in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Revenues</u>						
Program revenues:						
Charges for Services	1,001	1,069	596	584	1,597	1,653
Operating Grants and Contributions	5,416	4,112	24	22	5,440	4,134
General revenues:						
Property Taxes	19,103	18,982			19,103	18,982
Tuition	12,753	13,444			12,753	13,444
Federal and State Aid	16	45			16	45
Interest and Investment Earnings		1			-	1
N.J.S.D.A. Grants	(98)				(98)	-
Refunding Bonds Proceeds		(180)			-	(180)
Other General Revenues	177	125	19	33	196	158
Total Revenues:	<u>38,368</u>	<u>37,598</u>	<u>639</u>	<u>639</u>	<u>39,007</u>	<u>38,237</u>
<u>Program expenses including indirect expenses</u>						
Instruction:						
Regular	12,884	11,931			12,884	11,931
Special	8,892	8,498			8,892	8,498
Other instruction	1,364	1,260			1,364	1,260
Support services:						
Tuition	849	928			849	928
Student and instruction related services	6,242	5,590			6,242	5,590
School administrative services	2,260	2,044			2,260	2,044
General and business administrative services	987	939			987	939
Plant operations and maintenance	3,716	3,650			3,716	3,650
Pupil transportation	491	510			491	510
Special schools	936	810			936	810
SDA Debt Service Assessment	48				48	-
Interest on long-term debt	410	515			410	515
Business-type activities:						
Food Services	-	-	646	624	646	624
Total Expenses	<u>39,079</u>	<u>36,675</u>	<u>646</u>	<u>624</u>	<u>39,725</u>	<u>37,299</u>
Increase (Decrease) in Net Position	<u>(711)</u>	<u>923</u>	<u>(7)</u>	<u>15</u>	<u>(718)</u>	<u>938</u>

# THE DISTRICT'S FUNDS

## Governmental Activities

Table 3

Information below compares revenues and expenditures for all governmental fund types for 2012-2013 and 2011-2012.

(\$000 omitted)

<u>Revenues by Source:</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>% Change</u>
Local Tax Levy	19,405	19,391	0.07%
Tuition Charges	13,453	14,105	-4.62%
Interest Earned to Investments		1	-100.00%
Miscellaneous	434	458	-5.24%
Total - Local Sources	33,292	33,955	-1.95%
State Sources	4,891	3,579	36.66%
Federal Sources	304	313	-2.88%
Total Revenues	<u>38,487</u>	<u>37,847</u>	1.69%

(\$000 omitted)

<u>Expenditures by Function:</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>% Change</u>
Current:			
Regular Instruction	9,017	8,643	4.33%
Special education	6,263	6,235	0.45%
Other instruction	997	956	4.29%
Support Services and undistributed costs:			
Tuition	849	928	-8.51%
Student and instruction related services	4,594	4,276	7.44%
School administrative services	1,604	1,508	6.37%
General and Business administrative services	760	749	1.47%
Plant operations and maintenance	3,007	3,033	-0.86%
Pupil transportation	463	486	-4.73%
Employee Benefits	9,403	7,693	22.23%
Capital Outlay	718	873	-17.75%
Specials Schools	709	662	7.10%
Debt Service:			
Principal	775	685	13.14%
Interest on long-term debt	419	558	-24.91%
Total Expenditures	<u>39,578</u>	<u>37,285</u>	6.15%

Due to changes in surplus regulations, the board of education does not have large amounts of cash on hand thus decreasing our ability to invest monies for investment income.

## Business-type Activities

The District's only Enterprise Fund is its Food Service operation. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net position.

**Table 4**

(\$000 omitted)

	<u>Food Service</u>
Total Assets	166
Net Position	102
Change in Net Position	-7
Return on Ending Total Assets	-4.22%
Return on Ending Net Position	-6.86%

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

**Table 5**

### Capital Assets at Year-end (Net of Depreciation, in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	300	300			300	300
Land Improvements	634	584			634	584
Buildings	32,012	31,445			32,012	31,445
Machinery and Equipment	3,716	3,664	26	26	3,742	3,690
Construction-in-progress	-	-	-	-	-	-
Subtotal	36,662	35,993	26	26	36,688	36,019
Accumulated Depreciation	(12,604)	(11,613)	(14)	(12)	(12,618)	(11,625)
Totals	<u>24,058</u>	<u>24,380</u>	<u>12</u>	<u>14</u>	<u>24,070</u>	<u>24,394</u>

The District's 2013-2014 capital budget anticipates a spending level of \$453,000 for capital projects to be funded by the districts operating budget for various equipment and renovations. More detailed information about the District capital assets is presented in Note III:C. to the basic financial statements.

## DEBT

At year-end the District had total debt of \$12,205,000 (2003 issue \$400,000 plus 2005 Refunding issue \$4,255,000 plus 2012 Refunding issue 7,550,000) outstanding versus \$12,980,000 last year – a decrease of 6.0% percent – as shown in Table 6.

### Outstanding Debt, at year –end (in thousands)

Table 6

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Serial Bonds	12,205	12,980
Loans	-	-
Lease Purchase Agreement	-	-
Temporary Notes	-	-
Authorized but not Issued	-	-
	<u>12,205</u>	<u>12,980</u>

An analysis of District Debt is presented in Note III:D. to the basic financial statements.

## BUDGETS

The variances between the originally adopted budget for the year 2012-2013, and the final budget were caused by the treatment of encumbrances that are added to the original budget and the appropriation of additional tuition revenue. In addition, the State pension payments, which are paid by the State on behalf of employees are not budgeted, however they are counted as an expense in the audit .

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Daniel A. Borgo, Mountain Lakes School District, 400 Boulevard, Mountain Lakes, New Jersey.

## **BASIC FINANCIAL STATEMENTS**

**Section A**

**DISTRICT – WIDE FINANCIAL STATEMENTS**

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Statement of Net Position  
June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,008,586.68	\$ 104,422.41	\$ 2,113,009.09
Receivables, net	949,577.66	2,279.05	951,856.71
Interfund receivable		40,521.60	40,521.60
Inventory		6,675.58	6,675.58
Restricted assets:			
Cash and cash equivalents	1,477.82		1,477.82
Capital reserve account - cash	836,341.35		836,341.35
Capital assets, net (Note III:C.):	24,058,401.87	12,088.06	24,070,489.93
Total Assets	<u>27,854,385.38</u>	<u>165,986.70</u>	<u>28,020,372.08</u>
<b>LIABILITIES</b>			
Accounts payable	8,239.18	52,844.46	61,083.64
Interfund payable	40,521.60		40,521.60
Payable to federal government	5,549.04		5,549.04
Payable to state government	4,568.00		4,568.00
Bond interest payable	146,076.25		146,076.25
Noncurrent liabilities (Note IV:B.):			-
Due within one year	820,685.00		820,685.00
Due beyond one year	11,859,495.02	-	11,859,495.02
Total liabilities	<u>12,885,134.09</u>	<u>52,844.46</u>	<u>12,937,978.55</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Prepaid Tuition	6,300.00		6,300.00
Grant received in advance	51,897.51		51,897.51
Prepays sales	-	11,045.40	11,045.40
Total deferred inflow of resources	<u>58,197.51</u>	<u>11,045.40</u>	<u>69,242.91</u>
Total liabilities and deferred inflow of resources	<u>12,943,331.60</u>	<u>63,889.86</u>	<u>13,007,221.46</u>
<b>NET POSITION</b>			
Net Investment in capital assets	11,853,401.87	12,088.06	11,865,489.93
Restricted for:			
Capital projects	836,341.49		836,341.49
Debt service	(82,359.65)		(82,359.65)
Permanent endowment - nonexpendable	1,477.82		1,477.82
Other purposes	2,014,662.89		2,014,662.89
Unrestricted	<u>287,529.50</u>	<u>90,008.78</u>	<u>377,538.28</u>
Total Net Position	<u>\$ 14,911,053.92</u>	<u>\$ 102,096.84</u>	<u>\$ 15,013,150.76</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Statement of Activities  
For the Year Ended June 30, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ 12,883,773.71	\$ -	\$ 1,720,142.97	\$ -	\$ (11,163,630.74)	\$ -
Special education	8,892,351.96		1,794,478.32		(7,097,873.64)	
Other instruction	1,364,019.38		127,514.54		(1,236,504.84)	
Support services:						
Tuition	849,312.69		158,163.72		(691,148.97)	
Student and instruction related services	6,242,404.04		846,623.84		(5,395,780.20)	
School administrative services	2,259,967.86		246,671.40		(2,013,296.46)	
General and business administrative services	986,840.67		73,716.81		(913,123.86)	
Plant operations and maintenance	3,716,357.36		221,347.65		(3,495,009.71)	
Pupil transportation	491,102.68		29,846.93		(461,255.75)	
Special schools	935,729.78	699,015.60	89,790.74		(146,923.44)	
SDA Debt Service Assessment	48,298.00				(48,298.00)	
Interest on long-term debt	409,674.88	302,327.88	107,347.00			
Total governmental activities	39,079,833.01	1,001,343.48	5,415,643.92		(32,662,845.61)	
Business-type activities:						
Food Service	646,278.49	595,983.15	23,663.82		(26,631.52)	
Total business-type activities	646,278.49	595,983.15	23,663.82		(26,631.52)	
Total primary government	\$ 39,726,111.50	\$ 1,597,326.63	\$ 5,439,307.74	\$ -	\$ (32,662,845.61)	\$ (26,631.52)
General revenues:						
Taxes:						
Property taxes, levied for general purposes					\$ 18,254,489.00	\$ 18,254,489.00
Property taxes, levied for debt service principal					848,185.12	848,185.12
Federal and State aid not restricted					15,832.06	15,832.06
Tuition (other than special schools)					12,753,512.15	12,753,512.15
Investment Earnings					0.36	0.36
Miscellaneous Income					197,132.34	197,132.34
N.J. Schools Development Authority Grants					(97,846.42)	(97,846.42)
Transfers					(19,480.89)	19,480.89
Total general revenues, special items, extraordinary items and transfers					31,951,823.72	31,971,304.61
Change in Net Position					(711,021.89)	(718,172.52)
Net Position—beginning					15,622,075.81	15,731,323.28
Net Position—ending					\$ 14,911,053.92	\$ 15,013,150.76

The accompanying Notes to Financial Statements are an integral part of this statement.

**Section B**  
**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,043,655.18	\$ (97,839.47)	\$ 63,716.60	\$ (945.63)	\$ 2,008,586.68
Receivables from other governments	140,668.11	124,781.68			265,449.79
Tuition receivable	617,084.39				617,084.39
Other receivables	31,971.14	35,072.34			67,043.48
Restricted cash and cash equivalents	<u>836,341.49</u>	<u>-</u>	<u>-</u>	<u>1,477.82</u>	<u>837,819.31</u>
Total Assets	<u>\$ 3,669,720.31</u>	<u>\$ 62,014.55</u>	<u>\$ 63,716.60</u>	<u>\$ 532.19</u>	<u>\$ 3,795,983.65</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 8,239.18	\$ -	\$ -	\$ -	\$ 8,239.18
Interfunds payable	40,521.60				40,521.60
Payable to federal government		5,549.04			5,549.04
Payable to state government		4,568.00			4,568.00
Deferred revenue	<u>6,300.00</u>	<u>51,897.51</u>			<u>58,197.51</u>
Total Liabilities	<u>55,060.78</u>	<u>62,014.55</u>			<u>117,075.33</u>
Fund Balances:					
Nonspendable:					
Permanent fund principal				1,477.82	1,477.82
Restricted for:					
Reserved Excess Surplus - Designated for					
Subsequent Year's Expenditures	843,810.92				843,810.92
Reserve for Excess Surplus	677,582.64				677,582.64
Capital Reserve Account	836,341.49				836,341.49
Debt Service			63,716.60		63,716.60
Other Purposes				(945.63)	(945.63)
Assigned to:					
Other Purposes	494,214.96				494,214.96
Designated for Subsequent Year's Expenditures	76,614.08				76,614.08
Unassigned	<u>686,095.44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,095.44</u>
Total Fund Balances	<u>3,614,659.53</u>	<u>-</u>	<u>63,716.60</u>	<u>532.19</u>	<u>3,678,908.32</u>
Total Liabilities and Fund Balances	<u>\$ 3,669,720.31</u>	<u>\$ 62,014.55</u>	<u>\$ 63,716.60</u>	<u>\$ 532.19</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Adjustment to Debt Service Fund net position for the accrual of interest expense. (146,076.25)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$36,662,287.82 and the accumulated depreciation is \$12,603,885.95. 24,058,401.87

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note IV:B.) (12,680,180.02)

Net position of governmental activities \$ 14,911,053.92

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**  
Statement of Revenues, Expenditures, And Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Local sources:						
Local tax levy	\$ 18,254,489.00	\$ -	\$ -	\$ 1,150,513.00	\$ -	\$ 19,405,002.00
Tuition charges	13,452,527.75					13,452,527.75
Interest earned on investments	-				0.36	0.36
Miscellaneous	197,132.34	236,547.98		-	-	433,680.32
Total - Local Sources	31,904,149.09	236,547.98		1,150,513.00	0.36	33,291,210.43
State sources	4,522,181.03	261,220.00		107,347.00		4,890,748.03
Federal sources	-	304,179.97		-	-	304,179.97
Total Revenues	36,426,330.12	801,947.95		1,257,860.00	0.36	38,486,138.43
<b>EXPENDITURES</b>						
Current:						
Regular instruction	8,632,145.13	385,030.70				9,017,175.83
Special education instruction	6,059,936.44	202,575.79				6,262,512.23
Other instruction	996,805.95				200.00	997,005.95
Support services and undistributed costs:						
Tuition	849,312.69					849,312.69
Student and instruction related services	4,399,424.23	194,541.46				4,593,965.69
School administrative services	1,604,084.50					1,604,084.50
General and business administrative services	760,490.79					760,490.79
Plant operations and maintenance	3,007,061.73					3,007,061.73
Pupil transportation	463,379.72					463,379.72
Unallocated benefits	9,382,832.49	19,800.00				9,402,632.49
Special schools	708,815.11					708,815.11
Capital outlay	717,591.13					717,591.13
Debt service:						
Principal				775,000.00		775,000.00
Interest and other charges	-	-		419,144.59	-	419,144.59
Total Expenditures	37,581,879.91	801,947.95		1,194,144.59	200.00	39,578,172.45
Excess (Deficiency) of revenues over expenditures	(1,155,549.79)	-		63,715.41	(199.64)	(1,092,034.02)
<b>OTHER FINANCING SOURCES AND (USES)</b>						
N.J.S.D.A. Grants			(97,846.42)			(97,846.42)
Transfers in	208,446.52					208,446.52
Transfers (out)	(19,480.89)		(208,446.52)			(227,927.41)
Total Other Financing Sources and (Uses)	188,965.63		(306,292.94)	-	-	(117,327.31)
Net change in fund balances	(966,584.16)	-	(306,292.94)	63,715.41	(199.64)	(1,209,361.33)
Fund Balance—July 1	4,581,243.69	-	306,292.94	1.19	(745.99)	4,886,791.83
Fund Balance—June 30	\$ 3,614,659.53	\$ -	\$ -	\$ 63,716.60	\$ (945.63)	\$ 3,677,430.50

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2013**

**Total net change in fund balances - governmental funds (from B-2)** **\$ (1,209,361.33)**

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)

Interest paid	\$ 419,144.59	
Interest accrued	<u>(409,674.88)</u>	
		9,469.71

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	(991,082.46)	
Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	<u>669,293.13</u>	
		(321,789.33)

Adjustment to Capital Assets in accordance with physical appraisal and dispositions

-

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)

-

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).

35,659.06

Payment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Debt principal		775,000.00
Capital lease principal		

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Proceeds of long-term debt (Refunding Bonds)	
Capital lease proceeds	

Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)

-

**Change in net position of governmental activities**

**\$ (711,021.89)**

The accompanying Notes to Financial Statements are an integral part of this statement.

## **PROPRIETARY FUNDS**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	<b>Business-type Activities - Enterprise Funds</b>	
	<b><u>Food Service</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 104,422.41	\$ 104,422.41
Accounts receivable	2,279.05	2,279.05
Interfunds receivable	40,521.60	40,521.60
Inventories	6,675.58	6,675.58
Total Current Assets	<u>153,898.64</u>	<u>153,898.64</u>
Noncurrent assets:		
Furniture, machinery and equipment	26,227.38	26,227.38
Less accumulated depreciation	(14,139.32)	(14,139.32)
Total Noncurrent Assets	<u>12,088.06</u>	<u>12,088.06</u>
Total Assets	<u>165,986.70</u>	<u>165,986.70</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	52,844.46	52,844.46
Total Current Liabilities	<u>52,844.46</u>	<u>52,844.46</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Prepaid Sales	11,045.40	11,045.40
Total Deferred Inflows of Resources	<u>11,045.40</u>	<u>11,045.40</u>
Total Liabilities and Deferred Inflows of Resources	<u>63,889.86</u>	<u>63,889.86</u>
<b>NET ASSETS</b>		
Net Investment in capital assets	12,088.06	12,088.06
Unrestricted	90,008.78	90,008.78
Total Net Position	<u>\$ 102,096.84</u>	<u>\$ 102,096.84</u>

he accompanying Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
<b>Operating Revenues:</b>		
Charges for services:		
Daily sales - reimbursable programs	\$ 8,877.70	\$ 8,877.70
Daily sales - non-reimbursable programs	546,966.66	546,966.66
Special functions	40,138.79	40,138.79
Total Operating Revenues	<u>595,983.15</u>	<u>595,983.15</u>
<b>Operating Expenses:</b>		
Cost of sales	269,749.33	269,749.33
Salaries	224,602.12	224,602.12
Employee benefits	70,047.90	70,047.90
Management Fee	23,883.23	23,883.23
General supplies	55,810.25	55,810.25
Depreciation	2,185.66	2,185.66
Total Operating Expenses	<u>646,278.49</u>	<u>646,278.49</u>
Operating Income (Loss)	<u>(50,295.34)</u>	<u>(50,295.34)</u>
<b>Nonoperating Revenues (Expenses):</b>		
State sources:		
State school lunch program	327.63	327.63
Federal sources:		
National school breakfast program	7,579.17	7,579.17
National school lunch program	12,576.76	12,576.76
Food distribution program	3,180.26	3,180.26
Total Nonoperating Revenues (Expenses)	<u>23,663.82</u>	<u>23,663.82</u>
Income (loss) before contributions and transfers	<u>(26,631.52)</u>	<u>(26,631.52)</u>
Transfers in (out)	<u>19,480.89</u>	<u>19,480.89</u>
Change in net position	<u>(7,150.63)</u>	<u>(7,150.63)</u>
Total Net Position—Beginning	<u>109,247.47</u>	<u>109,247.47</u>
Total Net Position—Ending	<u>\$ 102,096.84</u>	<u>\$ 102,096.84</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2013

	<b>Business-type Activities - Enterprise Funds</b>	
	<b><u>Food Service</u></b>	<b><u>Totals</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 581,868.96	\$ 581,868.96
Payments to employees	(224,602.12)	(224,602.12)
Payments for employee benefits	(70,047.90)	(70,047.90)
Payments to suppliers	<u>(331,387.55)</u>	<u>(331,387.55)</u>
Net cash provided by (used for) operating activities	<u>(44,168.61)</u>	<u>(44,168.61)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	327.63	327.63
Federal Sources	23,336.19	23,336.19
Operating subsidies and transfers to other funds	<u>19,480.89</u>	<u>19,480.89</u>
Net cash provided by (used for) non-capital financing activities	<u>43,144.71</u>	<u>43,144.71</u>
Net increase (decrease) in cash and cash equivalents	(1,023.90)	(1,023.90)
Balances—beginning of year	<u>105,446.31</u>	<u>105,446.31</u>
Balances—end of year	<u>\$ 104,422.41</u>	<u>\$ 104,422.41</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (50,295.34)	\$ (50,295.34)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and net amortization	2,185.66	2,185.66
(Increase) decrease in accounts receivable, net	(20,483.56)	(20,483.56)
(Increase) decrease in inventories	1,984.45	1,984.45
Increase (decrease) in accounts payable	16,070.81	16,070.81
Increase (decrease) in deferred inflows of resources	<u>6,369.37</u>	<u>6,369.37</u>
Total adjustments	<u>6,126.73</u>	<u>6,126.73</u>
Net cash provided by (used for) operating activities	<u>\$ (44,168.61)</u>	<u>\$ (44,168.61)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## **FIDUCIARY FUNDS**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	Agency <u>Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 213,499.30	\$ 27,647.34	\$ 680,508.12
Total Assets	<u>\$ 213,499.30</u>	<u>\$ 27,647.34</u>	<u>\$ 680,508.12</u>
<b>LIABILITIES</b>			
Payable to student groups			\$ 336,140.44
Payroll deductions and withholdings			214,913.86
IRS Section 125 Plan			18,835.21
Summer Savings Plan			<u>110,618.61</u>
Total Liabilities			<u>\$ 680,508.12</u>
<b>NET POSITION</b>			
Held in trust for unemployment claims and other purposes	<u>\$ 213,499.30</u>		
Reserved for scholarships		<u>\$ 27,647.34</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan member	\$ 55,026.97	\$ -
Board Contribution	90,000.00	
Other	-	2,200.00
Total Contributions	<u>145,026.97</u>	<u>2,200.00</u>
Investment earnings:		
Interest		14.73
Net investment earnings	-	14.73
Total Additions	<u>145,026.97</u>	<u>2,214.73</u>
<b>DEDUCTIONS</b>		
Unemployment claims	80,335.46	
Scholarships awarded	-	4,700.00
Total Deductions	<u>80,335.46</u>	<u>4,700.00</u>
Change in Net Position	64,691.51	(2,485.27)
Net Position—beginning	<u>148,807.79</u>	<u>30,132.61</u>
Net Position—ending	<u>\$ 213,499.30</u>	<u>\$ 27,647.34</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Borough of Mountain Lakes School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This Statement established new financial reporting requirements for state and local governments throughout the United States. It required new information and restructuring much of the information that governments had presented in the past. The District began implementing these standards for the fiscal year ending June 30, 2003.

Other GASB Statements were also required to be implemented in conjunction with GASB Statements No. 34. Therefore, the District implemented for the fiscal year ending June 30, 2003, Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 – Certain Financial Statement Note Disclosures.

B. Reporting Entity

The Borough of Mountain Lakes School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary, one junior and one senior high school as well as a school for the hearing impaired located in Mountain Lakes, New Jersey. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Permanent Fund – A permanent fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Appropriation of additional revenues in the amount of \$421,036.30 and prior year encumbrances in the amount of \$860,736.56 were made during the year ended June 30, 2013. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

5. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note IX)

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

6. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

7. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

8. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

9. Net Position

Net position represent the difference between assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note II: Reconciliation of Government Wide and Fund Financial Statements

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" of the District's governmental funds in B-1 differs from "net position" of governmental activities reported in the statement of net position in A-1. This difference primarily results from the long - term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

	<u>Balance Sheet/Statement of Net Position</u>			<u>Statement of Net Position Totals</u>
<u>Assets</u>	<u>Total Governmental Funds</u>	<u>Long - term Assets Liabilities (1)</u>	<u>Reclassifications and Eliminations</u>	
Cash and cash equivalents	\$ 2,008,586.68	\$ -	\$ -	\$ 2,008,586.68
Receivables, net			949,577.66	949,577.66
Receivables from Other Governments	265,449.79		(265,449.79)	-
Tuition Receivable	617,084.39		(617,084.39)	-
Other Receivables	67,043.48		(67,043.48)	-
Restricted assets:				
Cash and cash equivalents	1,477.82			1,477.82
Capital Reserve Account - cash	836,341.49			836,341.49
Capital Assets, net	-	24,058,401.87	-	24,058,401.87
<b>Total Assets</b>	<b>\$ 3,795,983.65</b>	<b>\$ 24,058,401.87</b>	<b>\$ -</b>	<b>\$ 27,854,385.52</b>
<u>Liabilities</u>				
Accounts Payable	\$ 8,239.18			\$ 8,239.18
Interfunds Payable	40,521.60	-		40,521.60
Payable to Federal Government	5,549.04			5,549.04
Payable to State Government	4,568.00			4,568.00
Bond Interest Payable			146,076.25	146,076.25
Deferred Revenue	58,197.51			58,197.51
Noncurrent Liabilities	-	12,205,000.00	475,180.02	12,680,180.02
<b>Total Liabilities</b>	<b>117,075.33</b>	<b>12,205,000.00</b>	<b>621,256.27</b>	<b>12,943,331.60</b>
<u>Fund Balances/Net Position</u>				
<u>Net Position</u>				
Net investment in capital assets		11,853,401.87		11,853,401.87
Restricted for:				
Capital projects	836,341.49			836,341.49
Debt Service	63,716.60		(146,076.25)	(82,359.65)
Permanent endowment - nonexpendable	1,477.82			1,477.82
Other purposes	2,014,662.89			2,014,662.89
Unrestricted	762,709.52	-	(475,180.02)	287,529.50
<b>Total Fund Balances/Net Position</b>	<b>3,678,908.32</b>	<b>11,853,401.87</b>	<b>(621,256.27)</b>	<b>14,911,053.92</b>
<b>Total Liabilities and Fund Balances/Net Position</b>	<b>3,795,983.65</b>	<b>24,058,401.87</b>	<b>-</b>	<b>27,854,385.52</b>

1. When Capital Assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 36,662,287.82
Accumulated depreciation	(12,603,885.95)
	<u>\$ 24,058,401.87</u>

Long - term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long - term are reported in the statement of net position.

Serial Bonds	\$ 12,205,000.00
Compensated Absences	475,180.02
	<u>\$ 12,680,180.02</u>

Adjustment to Debt Service Fund net position for the accrual of interest expense.	<u>\$ (146,076.25)</u>
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**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**Note II: Reconciliation of Government Wide and Fund Financial Statements (Continued)**

**Explanation of Differences between Governmental Funds Operating Statement of Activities**

The "net change in fund balances" for governmental funds in B-2 differs from the "change in net position" for governmental activities reported in the statement of activities in A-2. The difference arise primarily for the long - term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities**

	Total Governmental Funds	Long - term Revenue, Expenses (2)	Capital Related Items (3)	Long - term Debt Transactions (4)	Reclassifications and Eliminations (5)	Statement of Activities Totals
<b>Revenues and Other Sources</b>						
Local Tax Levy	\$ 19,405,002.00	\$ -	\$ -	\$ -	\$ -	\$ 19,405,002.00
Tuition Charges	13,452,527.75					13,452,527.75
Interest Earned on Investments	0.36					0.36
Miscellaneous	433,680.32					433,680.32
State Sources	4,890,748.03					4,890,748.03
Federal Sources	304,179.97	-	-	-	-	304,179.97
<b>Total</b>	<b>\$ 38,486,138.43</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,486,138.43</b>
<b>Expenditures</b>						
Current:						
Regular instruction	\$ 9,017,175.83	\$ -	\$ 542,075.65	\$ (19,269.35)	\$ 3,343,791.58	\$ 12,883,773.71
Special education	6,262,512.23		165,968.44		2,463,871.29	8,892,351.96
Other instruction	997,005.95		44,765.04		322,248.39	1,364,019.38
Support Services and undistributed costs:						
Tuition	849,312.69					849,312.69
Student and instruction related services	4,593,965.69			(3,471.71)	1,651,910.06	6,242,404.04
School administrative services	1,604,084.50		31,425.71	(12,918.00)	637,375.65	2,259,967.86
General and business administrative services	760,490.79		40,056.43		186,293.45	986,840.67
Plant operations and maintenance	3,007,061.73		149,916.89		559,378.74	3,716,357.36
Pupil transportation	463,379.72		16,874.30		10,848.66	491,102.68
Unallocated Benefits	9,402,632.49				(9,402,632.49)	-
Special Schools	708,815.11				226,914.67	935,729.78
Capital Outlay	717,591.13		(669,293.13)			48,298.00
Debt Service:						
Principal	775,000.00			(775,000.00)		-
Interest	419,144.59	(9,469.71)	-		-	409,674.88
<b>Total</b>	<b>39,578,172.45</b>	<b>(9,469.71)</b>	<b>321,789.33</b>	<b>(810,659.06)</b>	<b>-</b>	<b>39,079,833.01</b>
Other Financing Uses/Changes in Net Assets:						
Net transfers to(from) other funds	(19,480.89)					(19,480.89)
N.J.S.D.A. Grants	(97,846.42)					(97,846.42)
<b>Total</b>	<b>(117,327.31)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(117,327.31)</b>
<b>Net Change for the Year</b>	<b>\$ (1,209,361.33)</b>	<b>\$ 9,469.71</b>	<b>\$ (321,789.33)</b>	<b>\$ 810,659.06</b>	<b>\$ -</b>	<b>\$ (711,021.89)</b>

2. In the statement of activities, interest on long -term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliations. (+)

\$ 9,469.71

3. Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (991,082.46)
Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	669,293.13
	<u>\$ (321,789.33)</u>

3. Adjustment to Capital Assets in accordance with physical appraisal and dispositions

\$ -

3. In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)

\$ -

4. In the statement of activities, certain operating expenses, e.g. compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the differences is an addition to the reconciliation (+).

\$ 35,659.06

Payment of long-term liability principal is an expenditure in the government funds, but the payment reduces long - term liabilities in the statement of net assets and is not reported in the statement of activities.

Debt principal	775,000.00
Capital lease principal	-
	<u>\$ 810,659.06</u>

4. Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities, issuing debt increases long - term liabilities in the statement of net assets.

Proceeds of long - term debt	\$ -
Capital lease proceeds	-
	<u>\$ -</u>

5. Allocate Benefits expenditures

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2013 the Borough of Mountain Lakes School District's cash and cash equivalent's amounted to \$4,798,168.70. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$4,548,168.70 was covered by a collateral pool maintained by the banks as required by GUDPA.

At June 30, 2013 the Borough of Mountain Lakes School District had no participation in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Borough of Mountain Lakes School District will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2013, none of the Borough of Mountain Lakes School District's cash and cash equivalents of \$4,548,168.70 was exposed to custodial credit risk as follows:

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Borough of Mountain Lakes School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Mountain Lakes School District had no investments as described in Note I:G.1 at June 30, 2013.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Interfund Receivables and Payables

As of June 30, 2013 interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$ -0-	\$40,521.60
Enterprise Fund	<u>40,521.60</u>	<u>-0-</u>
	<u>\$40,521.60</u>	<u>\$40,521.60</u>

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Adjustments	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 300,000.00	\$ -	\$ -	\$ 300,000.00
Construction in Progress	-	-	-	-
Total Capital assets not being depreciated	<u>300,000.00</u>	<u>-</u>	<u>-</u>	<u>300,000.00</u>
Land Improvements	584,359.28	49,462.01		633,821.29
Buildings and Improvements	31,444,580.61	567,726.36		32,012,306.97
Machinery and Equipment	3,664,054.80	52,104.76	-	3,716,159.56
Totals at historical cost	<u>35,692,994.69</u>	<u>669,293.13</u>	<u>-</u>	<u>36,362,287.82</u>
Less accumulated depreciation for:				
Land Improvements	(571,225.16)	(28,075.34)		(599,300.50)
Buildings and Improvements	(7,527,174.62)	(627,054.87)		(8,154,229.49)
Machinery and Equipment	(3,514,403.71)	(335,952.25)	-	(3,850,355.96)
Total accumulated depreciation	<u>(11,612,803.49)</u>	<u>(991,082.46) (1)</u>	<u>-</u>	<u>(12,603,885.95)</u>
Net capital assets being depreciated	<u>24,080,191.20</u>	<u>(321,789.33)</u>	<u>-</u>	<u>23,758,401.87</u>
Governmental activities capital assets, net	<u>\$ 24,380,191.20</u>	<u>\$ (321,789.33)</u>	<u>\$ -</u>	<u>\$ 24,058,401.87</u>
Business - type activities:				
Equipment	\$ 26,227.38	\$ -	\$ -	\$ 26,227.38
Less accumulated depreciation	(11,953.66)	(2,185.66)	-	(14,139.32)
Business - type activities capital assets, net	<u>\$ 14,273.72</u>	<u>\$ (2,185.66)</u>	<u>\$ -</u>	<u>\$ 12,088.06</u>

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 542,075.65
Special Education	165,968.44
Other Instruction (Athletic)	44,765.04
School Administrative Services	31,425.71
General and Business Administrative Services	40,056.43
Plant Operations and Maintenance	149,916.89
Pupil Transportation	16,874.30
	<u>\$ 991,082.46</u>

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copying and computer equipment and mailing systems under operating leases which expire in 2018. Total operating lease payments made during the year ended June 30, 2013 were \$148,101.24. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2014	\$ 121,821.32
June 30, 2015	80,293.60
June 30, 2016	76,672.80
June 30, 2017	64,482.80
June 30, 2018	37,714.00
June 30, 2019	<u>1,777.00</u>
Total future minimum lease payments	<u>\$ 382,761.52</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Accruals</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Long - Term debt:					
Serial Bonds	\$ 12,980,000.00	\$ -	\$ (775,000.00)	\$ 12,205,000.00	\$ 790,000.00
Total debt payable	<u>12,980,000.00</u>	<u>-</u>	<u>(775,000.00) (1)</u>	<u>12,205,000.00</u>	<u>790,000.00</u>
Other liabilities:					
Compensated absences	<u>510,839.08</u>	<u>(17,659.06)</u>	<u>(18,000.00)</u>	<u>475,180.02</u>	<u>30,685.00</u>
Total other liabilities	<u>510,839.08</u>	<u>(17,659.06)</u>	<u>(18,000.00) (2)</u>	<u>475,180.02</u>	<u>30,685.00</u>
Governmental activities					
long - term liabilities	<u>\$ 13,490,839.08</u>	<u>\$ (17,659.06)</u>	<u>\$ (793,000.00)</u>	<u>\$ 12,680,180.02</u>	<u>\$ 820,685.00</u>

(1) Paid by debt service fund

(2) Paid by general fund

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Serial Bonds outstanding as of June 30, 2013 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
High School – 11/15/03	Multiple	9/15	2014	\$10,920,000.00	\$ 400,000.00
Refunding – 9/14/05	Multiple	1/15	2023	5,825,000.00	4,255,000.00
Refunding – 3/19/12	Multiple	9/15	2029	7,600,000.00	7,550,000.00
					<u>\$12,205,000.00</u>

Principal and interest due on serial bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 790,000.00	\$ 392,030.00	\$1,182,030.00
2015	825,000.00	364,030.00	1,189,030.00
2016	845,000.00	334,605.00	1,179,605.00
2017	890,000.00	301,280.00	1,191,280.00
2018	900,000.00	270,955.00	1,170,955.00
2019	940,000.00	236,825.00	1,176,825.00
2020	955,000.00	204,375.00	1,159,375.00
2021	995,000.00	176,125.00	1,171,125.00
2022	1,005,000.00	146,506.25	1,151,506.25
2023	1,020,000.00	111,187.50	1,131,187.50
2024	500,000.00	74,862.50	574,862.50
2025	510,000.00	63,181.75	573,181.25
2026	500,000.00	50,875.00	550,875.00
2027	515,000.00	36,900.00	551,900.00
2028	505,000.00	21,600.00	526,600.00
2029	510,000.00	7,012.50	517,012.50
	<u>\$12,205,000.00</u>	<u>\$ 2,792,350.00</u>	<u>\$14,997,350.00</u>

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

2. Temporary Notes

There were no Temporary Notes outstanding as of June 30, 2013.

3. Bonds Authorized But Not Issued

There were no authorized but not issued bonds as of June 30, 2013.

4. Capital Leases Payable

There were no Capital Leases Payable as of June 30, 2013.

Note V: Detailed Disclosure Regarding Fund Equity

A. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C7.73 (S1701), the designation for Reserved Fund Balance---Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at fiscal year of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2013 is \$1,521,393.56 The reserved fund balance of \$843,810.92 has been appropriated in the fiscal year 2013 -2014 and \$677,582.64 will be appropriated in the fiscal year 2014 -2015.

B. Capital Reserve Account

During fiscal year 1992-1993 the Board passed a resolution for the establishment of a capital reserve account. The 1992-1993 certified budget included an increase in the capital reserve account of \$60,000.00 comprised of a Board approved transfer from excess unreserved fund balance for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note V: Detailed Disclosure Regarding Fund Equity (Continued)

B. Capital Reserve Account (Continued)

A summary of the account's transactions is as follows:

1992-1993	Budget (described above)	\$ 60,000.00
1998-1999	Budget (Unreserved Fund Balance)	600,000.00
1998-1999	Investment Income	24,000.00
1999-2000	Expenditures	(400,000.00)
1999-2000	Investment Income	15,620.00
2000-2001	Expenditures	(250,000.00)
2000-2001	Fund Balance Transferred	100.00
2000-2001	Investment Income	2,000.00
2001-2002	Budget (Tax Levy)	156,180.00
2001-2002	Investment Income	4,300.00
2002-2003	Investment Income	3,000.00
2002-2003	Expenditures	(20,210.00)
2003-2004	Investment Income	2,346.78
2003-2004	Expenditures	(38,538.00)
2004-2005	Investment Income	13,008.00
2004-2005	Expenditures	(100,000.00)
2005-2006	Expenditures	(35,157.53)
2005-2006	Investment Income	1,608.26
2006-2007	Investment Income	1,912.88
2007-2008	Investment Income	602.56
2007-2008	Budget (Unreserved Fund Balance)	350,000.00
2008-2009	Resolution (Unreserved Fund Balance)	525,000.00
2008-2009	Investment Income	252.95
2009-2010	Expenditures	(225,000.00)
2010-2011	Resolution (Unreserved Fund Balance)	850,000.00
2010-2011	Expenditures	(477,231.47)
2011-2012	Investment Income	235.81
2012-2013	Transferred from Capital Projects Fund	136,171.25
2012-2013	Resolution (Unreserved Fund Balance)	64,000.00
2012-2013	Expenditures	<u>(427,860.00)</u>
Balance June 30, 2013		<u>\$836,341.49</u>

The June 30, 2013 LRFP balance of local support costs of uncompleted capital projects at June 30, 2013 is \$8,132,400.00. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note VI: Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note VI: Pension Plans (Continued)

Contribution Requirements (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF, PERS, PFRS, SPRS, and JRS operate and to the benefit provisions of those systems.

This legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: TPAF and PERS active member rates increased from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS and PERS Prosecutors Part active member rates increased from 8.5 percent to 10 percent; SPRS active member rates increased from 7.5 percent to 9 percent; and JRS active member rates increased from 3 percent to 12 percent phased-in over seven years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF, PERS and JRS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended until reactivated as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Funding Status and Funding Progress

As of July 31, 2011, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPF, JRS, and SPRS) is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion.

The required supplementary information regarding the funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared o past expectations and new estimates are made about the probability of future events.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note VI: Pension Plans (Continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. The pension funds provide for employee contributions based on 6.64 percent for TPAF and 6.64 percent for PERS of employees' annual compensation.

During the state fiscal year ended June 30, 2012, for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

The District's total payroll for the year ended June 30, 2013 was \$23,746,184.71 and covered payroll was \$16,880,932.00 for TPAF and \$3,656,600.00 for PERS. Contributions to the TPAF and the PERS for the years ended June 30, 2011, 2012 and 2013 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		TPAF	Percent of Covered Payroll	PERS	Percent of Covered Payroll
Employees	6/30/13	\$1,131,027.52	6.70%	\$248,886.12	6.81%
	6/30/12	1,061,937.86	6.40%	\$238,945.51	6.43%
	6/30/11	937,728.51	5.53%	217,717.31	5.52%
Board of Education	6/30/13	N/A	N/A	449,175.00	12.28%
	6/30/12	N/A	N/A	451,266.00	12.14%
	6/30/11	N/A	N/A	454,527.00	11.52%
State of New Jersey	6/30/13	2,436,243.00	14.43%	N/A	N/A
	6/30/12	1,649,975.00	9.94%	N/A	N/A
	6/30/11	1,180,264.00	6.97%	N/A	N/A

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,269,446.03 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note VII: Health Benefit and Post-Retirement Medical Benefits

P.L. 2011, c.78 effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Health Benefits Program Fund (HBPF)- Local Education (including Prescription Drug Program Fund)- The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage.

P.L. 1987, c.384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, respectively, to fund post-retirement medical benefits for those employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits and the state contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

Note VIII: Risk Management

New Jersey Unemployment Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following table is a summary of district contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$ 90,000.00	\$ 55,026.97	\$ 80,335.46	\$ 213,499.30
2011-2012	30,000.00	51,175.06	94,356.76	148,807.79
2010-2011	60,000.00	51,203.61	158,376.54	161,989.49

The Borough of Mountain Lakes School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

NOTES TO BASIC FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012

Note VIII: Risk Management (Continued)

The District is a member of the New Jersey School Board Association Insurance Group (the "Group"). The Group is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost Property Damage, Employer's Liability, Automobile and Equipment Liability insurance coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Group and should it be determined that payments received by the Group are deficient, additional assessments may be levied. Additionally, the Group maintains a contract of excess insurance with a commercial reinsuror to secure the payment of benefits.

The District is a member of the Morris Essex Workers' Compensation Joint Insurance Fund (the "Fund"). The Fund is both insured and self-administered group of school districts established for the purpose of providing certain low-cost Workers' Compensation coverage for member school districts in order to keep local property taxes at a minimum.

The District pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied. Additionally, the Fund maintains a contract of excess insurance with a commercial reinsuror to secure the payment of benefits.

The Borough of Mountain Lakes School District continues to carry commercial insurance coverage for all risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note IX: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. T.P.A.F. staff who retire, as per the provisions of the state pension system, and have at least 15 years of continuous service in Mountain Lakes are reimbursed for accumulated sick leave up to a maximum of \$8,000.00 for teachers and \$12,000.00 for administrators.

In the district-wide *Statement of Net position*, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, no liability existed for compensated absences in the Food Service Fund.

Note X: Contingent Liabilities

The Borough of Mountain Lakes School District is a defendant in several lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

**REQUIRED SUPPLEMENTARY INFORMATION -  
PART II**

**Section C**  
**BUDGETARY COMPARISON SCHEDULES**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2013

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>						
Local Sources:						
Local Tax Levy		\$ 18,254,489.00	\$ -	\$ 18,254,489.00	\$ 18,254,489.00	\$ -
Tuition		13,249,784.00	421,036.30	13,670,800.30	13,452,527.75	(218,272.55)
Interest Earned on Investments		44,400.00	-	44,400.00		(44,400.00)
Interest Earned on Capital Reserve Funds			-			-
Miscellaneous		140,000.00	-	140,000.00	197,132.34	57,132.34
Total - Local Sources		31,688,653.00	421,036.30	32,109,689.30	31,904,149.09	(205,540.21)
State Sources:						
Categorical Transportation Aid		20,897.00	-	20,897.00	20,897.00	-
Categorical Special Education Aid		711,269.00	-	711,269.00	711,269.00	-
Categorical Security Aid		17,466.00	-	17,466.00	17,466.00	-
Extraordinary Aid			-		71,698.00	71,698.00
Non-Public Transportation Aid			-		6,612.00	6,612.00
TPAF Pension (On-Behalf - Non-Budgeted)			-		2,436,243.00	2,436,243.00
TPAF Social Security (Reimbursed - Non-Budgeted)			-		1,269,446.03	1,269,446.03
Total State Sources		749,632.00	-	749,632.00	4,533,631.03	3,783,999.03
Total Revenues		32,438,285.00	421,036.30	32,859,321.30	36,437,780.12	3,578,458.82
<b>EXPENDITURES:</b>						
Current Expense:						
Regular Programs - Instruction						
Preschool - Salaries of Teachers	105-100-101		1,623.20	1,623.20	1,623.20	-
Kindergarten - Salaries of Teachers	110-100-101		8,816.00	185,635.00	184,619.62	1,015.38
Grades 1-5 - Salaries of Teachers	120-100-101	176,819.00	106,312.37	2,162,638.37	2,162,636.22	2.15
Grades 6-8 - Salaries of Teachers	130-100-101	2,056,326.00	48,325.99	1,670,254.99	1,670,253.32	1.67
Grades 9-12 - Salaries of Teachers	140-100-101	1,621,929.00	19,399.00	3,889,640.00	3,889,639.82	0.18
Regular Programs - Home Instruction:						
Salaries of Teachers	150-100-101	3,870,241.00	(9,138.50)	7,861.50	7,861.00	0.50
Regular Programs - Undistributed Instruction						
Other Salaries for Instruction	190-100-106	17,000.00	3,478.99	173,750.99	173,749.85	1.14
Purchased Technical Services	190-100-340	170,272.00	5,818.00	23,918.00	22,829.50	1,088.50
Other Purchased Services (400-500 series)	190-100-500	18,100.00	(6,885.20)	172,796.80	160,127.61	12,669.19
General Supplies	190-100-610	179,682.00	14,104.39	276,340.39	227,362.31	48,978.08
Textbooks	190-100-640	262,236.00	26,489.60	114,966.60	96,530.83	18,435.77
Other Objects	190-100-800	88,477.00	5,616.48	36,641.48	34,911.85	1,729.63
TOTAL REGULAR PROGRAMS - INSTRUCTION		31,025.00				
		8,492,107.00	223,960.32	8,716,067.32	8,632,145.13	83,922.19
<b>SPECIAL EDUCATION - INSTRUCTION</b>						
Visual Impairments:						
Salaries of Teachers	206-100-101		1,671.32	1,671.32	1,671.14	0.18
General Supplies	206-100-610		3,166.14	3,166.14	1,587.68	1,578.46
Textbooks	206-100-640		400.00	400.00	131.60	268.40
Total Visual Impairments			5,237.46	5,237.46	3,390.42	1,847.04
Auditory Impairments:						
Salaries of Teachers	207-100-101	3,836,690.00	203,237.64	4,039,927.64	4,035,129.36	4,798.28
Other Salaries for Instruction	207-100-106	178,864.00	56,035.87	234,899.87	220,790.63	14,109.24
General Supplies	207-100-610	34,856.00	12,109.73	46,965.73	37,177.75	9,787.98
Textbooks	207-100-640	5,000.00	(2,654.00)	2,346.00	1,181.53	1,164.47
Total Auditory Impairments		4,055,410.00	268,729.24	4,324,139.24	4,294,279.27	29,859.97
Resource Room/Resource Center:						
Salaries of Teachers	213-100-101	1,268,645.00	200,685.36	1,469,330.36	1,469,329.49	0.87
General Supplies	213-100-610	7,430.00	(2,000.00)	5,430.00	3,191.79	2,238.21
Textbooks	213-100-640	2,200.00	-	2,200.00	129.78	2,070.22
Total Resource Room/Resource Center		1,278,275.00	198,685.36	1,476,960.36	1,472,651.06	4,309.30
Home Instruction:						
Salaries of Teachers	219-100-101	284,216.00	(34,300.00)	249,916.00	249,915.12	0.88
Other Salaries for Instruction	219-100-106	19,222.00	5,378.66	24,600.66	20,069.50	4,531.16
Other Purchased Services (400-500 series)	219-100-500	10,000.00	11,695.00	21,695.00	18,272.68	3,422.32
General Supplies	219-100-610	13,562.00	1,705.00	15,267.00	1,358.39	13,908.61
Total Home Instruction		327,000.00	(15,521.34)	311,478.66	289,615.69	21,862.97
TOTAL SPECIAL EDUCATION - INSTRUCTION		5,660,685.00	457,130.72	6,117,815.72	6,059,936.44	57,879.28
<b>Basic Skills/Remedial - Instruction</b>						
Salaries of Teachers	230-100-101	177,284.00	(1,400.00)	175,884.00	175,838.69	45.31
Total Basic Skills/Remedial - Instruction		177,284.00	(1,400.00)	175,884.00	175,838.69	45.31
<b>Bilingual Education - Instruction</b>						
Salaries of Teachers	240-100-101	6,075.00	(6,075.00)			-
General Supplies	240-100-610	500.00	-	500.00		500.00
Total Bilingual Education - Instruction		6,575.00	(6,075.00)	500.00		500.00

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2013

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>School-Spon. Cocurricular Actvts. - Inst.</b>						
Salaries	401-100-100	\$ 126,511.00	\$ 33,669.95	\$ 160,180.95	\$ 158,530.99	\$ 1,649.96
Supplies and Materials	401-100-600	3,000.00	15,204.31	18,204.31	15,738.62	2,465.69
Other Objects	401-100-800	9,100.00	70.00	9,170.00	9,100.00	70.00
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>		<b>138,611.00</b>	<b>48,944.26</b>	<b>187,555.26</b>	<b>183,369.61</b>	<b>4,185.65</b>
<b>School-Spon. Athletics - Instruction</b>						
Salaries	402-100-100	443,724.00	7,826.30	451,550.30	449,962.30	1,588.00
Supplies and Materials	402-100-600	5,150.00	4,811.00	9,961.00	4,113.19	5,847.81
Other Objects	402-100-800	193,625.00	(875.00)	192,750.00	183,522.16	9,227.84
<b>Total School-Spon. Athletics - Instruction</b>		<b>642,499.00</b>	<b>11,762.30</b>	<b>654,261.30</b>	<b>637,597.65</b>	<b>16,663.65</b>
<b>Total Instruction</b>		<b>15,117,761.00</b>	<b>734,322.60</b>	<b>15,852,083.60</b>	<b>15,688,887.52</b>	<b>163,196.08</b>
<b>Undistributed Expenditures - Instruction</b>						
Tuition to Other LEAs Within the State - Special	000-100-562		19,000.00	19,000.00	11,523.98	7,476.02
Tuition to County Voc. School Dist. - Regular	000-100-563		54,304.00	54,304.00	54,304.00	-
Tuition to County Voc. School Dist. - Special	000-100-564	73,740.00	(73,740.00)			-
Tuition to Private Schools for the Disabled - Within State	000-100-566	877,502.00	(124,572.64)	752,929.36	747,091.42	5,837.94
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	000-100-567	35,000.00	4,408.27	39,408.27	36,393.29	3,014.98
Tuition - Other	000-100-569	-	316,093.41	316,093.41	-	316,093.41
<b>Total Undistributed Expenditures - Instruction</b>		<b>986,242.00</b>	<b>195,493.04</b>	<b>1,181,735.04</b>	<b>849,312.69</b>	<b>332,422.35</b>
<b>Undist. Expend. - Health Services</b>						
Salaries	000-213-100	777,115.00	133,172.00	910,287.00	901,696.52	8,590.48
Purchased Professional and Technical Services	000-213-300	263,402.00	16,788.00	280,190.00	264,802.69	15,387.31
Other Purchased Services (400-500 series)	000-213-500	400.00	(230.00)	170.00	140.00	30.00
Supplies and Materials	000-213-600	16,671.00	5,289.44	21,960.44	15,167.89	6,792.55
Other Objects	000-213-800	650.00	(150.00)	500.00	118.80	381.20
<b>Total Undistributed Expenditures - Health Services</b>		<b>1,058,238.00</b>	<b>154,869.44</b>	<b>1,213,107.44</b>	<b>1,181,925.90</b>	<b>31,181.54</b>
<b>Undist. Expend. - Speech,OT,PT &amp; Related Services</b>						
Salaries of Other Professional Staff	000-216-100	188,787.00	7,242.00	196,029.00	196,028.47	0.53
Supplies and Materials	000-216-600	1,000.00	105.46	1,105.46	433.11	672.35
<b>Total Undist. Expend. - Speech,OT,PT &amp; Related Services</b>		<b>189,787.00</b>	<b>7,347.46</b>	<b>197,134.46</b>	<b>196,461.58</b>	<b>672.88</b>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>						
Salaries of Other Professional Staff	000-217-100	354,020.00	(204,038.00)	149,982.00	145,418.76	4,563.24
Supplies and Materials	000-217-600	3,200.00	-	3,200.00	-	3,200.00
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>		<b>357,220.00</b>	<b>(204,038.00)</b>	<b>153,182.00</b>	<b>145,418.76</b>	<b>7,763.24</b>
<b>Undist. Expend. - Guidance</b>						
Salaries of Other Professional Staff	000-218-104	556,509.00	18,041.82	574,550.82	573,885.20	665.62
Salaries of Secretarial and Clerical Assistants	000-218-105	156,587.00	(372.16)	156,214.84	156,213.40	1.44
Other Salaries	000-218-110	800.00	(755.00)	45.00		45.00
Other Purchased Services (400-500 series)	000-218-500	1,000.00	(948.00)	52.00	51.12	0.88
Supplies and Materials	000-218-600	8,000.00	11,945.31	19,945.31	11,082.01	8,863.30
Other Objects	000-218-800	5,400.00	(500.00)	4,900.00	4,840.00	60.00
<b>Total Undist. Expend. - Guidance</b>		<b>728,296.00</b>	<b>27,411.97</b>	<b>755,707.97</b>	<b>746,071.73</b>	<b>9,636.24</b>
<b>Undist. Expend. - Child Study Team</b>						
Salaries of Other Professional Staff	000-219-104	473,611.00	186,435.00	660,046.00	660,045.98	0.02
Salaries of Secretarial and Clerical Assistants	000-219-105	57,271.00	(65.67)	57,205.33	57,204.67	0.66
Supplies and Materials	000-219-600	2,930.00	18,877.41	21,807.41	21,106.55	700.86
Other Objects	000-219-800	2,800.00	2,560.00	5,360.00	3,430.91	1,929.09
<b>Total Undist. Expend. - Child Study Team</b>		<b>536,612.00</b>	<b>207,806.74</b>	<b>744,418.74</b>	<b>741,788.11</b>	<b>2,630.63</b>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>						
Salaries of Supervisor of Instruction	000-221-102	629,657.00	82,267.00	711,924.00	711,920.88	3.12
Salaries of Other Professional Staff	000-221-104	75,000.00	19,500.00	94,500.00	94,474.95	25.05
Other Salaries	000-221-110	28,999.00	3,464.00	32,463.00	32,462.68	0.32
Other Purch Services (400-500)	000-221-500	4,600.00	(3,043.00)	1,557.00	1,557.00	-
Supplies and Materials	000-221-600		1,000.00	1,000.00	759.70	240.30
Other Objects	000-221-800	2,525.00	1,963.00	4,488.00	3,757.00	731.00
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>		<b>740,781.00</b>	<b>105,151.00</b>	<b>845,932.00</b>	<b>844,932.21</b>	<b>999.79</b>
<b>Undist. Expend. - Edu. Media Serv./Sch. Library</b>						
Salaries	000-222-100	337,256.00	30,980.00	368,236.00	368,223.44	12.56
Salaries of Technology Coordinators	000-222-177	112,777.00	556.00	113,333.00	113,332.80	0.20
Supplies and Materials	000-222-600	38,285.00	4,060.54	42,345.54	38,681.11	3,664.43
Other Objects	000-222-800	3,720.00	430.00	4,150.00	4,149.94	0.06
<b>Total Undist. Expend. - Edu. Media Serv./Sch. Library</b>		<b>492,038.00</b>	<b>36,026.54</b>	<b>528,064.54</b>	<b>524,387.29</b>	<b>3,677.25</b>
<b>Undist. Expend. - Instructional Staff Training Serv.</b>						
Purchased Professional - Educational Service	000-223-320	2,200.00	(1,400.00)	800.00	575.61	224.39
Other Purchased Services (400-500 series)	000-223-500	9,200.00	3,553.00	12,753.00	12,075.34	677.66
Other Objects	000-223-800	6,512.00	(334.00)	6,178.00	5,787.70	390.30
<b>Total Undist. Expend. - Instructional Staff Training Serv.</b>		<b>17,912.00</b>	<b>1,819.00</b>	<b>19,731.00</b>	<b>18,438.65</b>	<b>1,292.35</b>
<b>Undist. Expend. - Supp. Serv. - General Admin.</b>						
Salaries	000-230-100	206,039.00	(1,419.75)	204,619.25	177,166.40	27,452.85
Legal Services	000-230-331	66,500.00	783.70	67,283.70	66,972.55	311.15
Audit Fees	000-230-332	24,500.00	11,374.00	35,874.00	32,174.00	3,700.00
Other Purchased Professional Services	000-230-339	23,872.00	46,999.50	70,871.50	66,516.10	4,355.40
Communications/Telephone	000-230-530	85,403.00	(16,333.00)	69,070.00	64,223.20	4,846.80
BOE Other Purchased Services	000-230-585	500.00	(212.00)	288.00	287.40	0.60
Other Purchased Services (400-500 series)	000-230-590	27,152.00	(8,510.00)	18,642.00	18,423.49	218.51
General Supplies	000-230-610	16,600.00	2,624.49	19,224.49	16,893.99	2,330.50
BOE In-House Training/Meeting Supplies	000-230-630	500.00	(500.00)			-
Judgments Against the School District	000-230-820	16,016.00	(16,016.00)			-
BOE Membership Dues and Fees	000-230-895	-	16,805.00	16,805.00	16,802.80	2.20
<b>Total Undist. Expend. - Supp. Serv. - General Admin.</b>		<b>467,082.00</b>	<b>35,595.94</b>	<b>502,677.94</b>	<b>459,459.93</b>	<b>43,218.01</b>

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2013

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Support Serv. - School Admin.</b>						
Salaries of Principals/Assistant Principals	000-240-103	\$ 699,348.00	\$ 62,167.30	\$ 761,515.30	\$ 754,342.38	\$ 7,172.92
Salaries of Other Professional Staff	000-240-104	204,739.00	(39,974.10)	164,764.90	164,764.50	0.40
Salaries of Secretarial and Clerical Assistants	000-240-105	538,960.00	59,789.60	598,749.60	598,149.61	599.99
Other Purchased Services (400-500 series)	000-240-500	8,350.00	809.00	9,159.00	1,821.78	7,337.22
Supplies and Materials	000-240-600	52,041.00	15,108.79	67,149.79	57,837.82	9,311.97
Other Objects	000-240-800	31,575.00	2,296.00	33,871.00	27,168.41	6,702.59
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>		<b>1,535,013.00</b>	<b>100,196.59</b>	<b>1,635,209.59</b>	<b>1,604,084.50</b>	<b>31,125.09</b>
<b>Undist. Expend. - Central Services</b>						
Salaries	000-251-100	279,108.00	1,876.23	280,984.23	276,259.94	4,724.29
Miscellaneous Purchased Services ( 400-500 Series )	000-251-592	4,600.00	3,927.00	8,527.00	2,740.89	5,786.11
Supplies and Materials	000-251-600	4,373.00	4,100.00	8,473.00	4,800.74	3,672.26
Miscellaneous Expenditures	000-251-890	17,332.00	(3,000.00)	14,332.00	13,303.78	1,028.22
<b>Total Undist. Expend. - Central Services</b>		<b>305,413.00</b>	<b>6,903.23</b>	<b>312,316.23</b>	<b>297,105.35</b>	<b>15,210.88</b>
<b>Undist. Expend. - Admin. Info. Technology</b>						
Other Purchased Services (400-500 series)	000-252-500	2,000.00	(1,818.00)	182.00	181.51	0.49
Supplies and Materials	000-252-600	700.00	1,199.00	1,899.00	1,899.00	-
Other Objects	000-252-800	950.00	895.00	1,845.00	1,845.00	-
<b>Total Undist. Expend. - Admin. Info. Technology</b>		<b>3,650.00</b>	<b>276.00</b>	<b>3,926.00</b>	<b>3,925.51</b>	<b>0.49</b>
<b>Undist. Expend. - Allowable Maint. For School Facilities</b>						
Salaries	000-261-100	389,837.00	(18,525.61)	371,311.39	370,936.22	375.17
Cleaning, Repair and Maintenance Services	000-261-420	340,300.00	39,493.00	379,793.00	268,566.51	111,226.49
General Supplies	000-261-610	44,175.00	9,970.00	54,145.00	47,760.21	6,384.79
Other Objects	000-261-800	900.00	(340.00)	560.00	560.00	-
<b>Total Undist. Expend. - Allowable Maint. For School Facilities</b>		<b>775,212.00</b>	<b>30,597.39</b>	<b>805,809.39</b>	<b>687,822.94</b>	<b>117,986.45</b>
<b>Undist. Expend. - Oth. Oper. &amp; Maint. of Plant</b>						
Salaries	000-262-100	1,000,366.00	(770.72)	999,595.28	990,555.88	9,039.40
Cleaning, Repair and Maintenance Services	000-262-420	314,235.00	7,712.92	321,947.92	247,074.40	74,873.52
Other Purchased Property Services	000-262-490	32,700.00	16,847.86	49,547.86	47,500.85	2,047.01
Insurance	000-262-520	190,700.00	1,966.00	192,666.00	192,665.62	0.38
General Supplies	000-262-610	174,831.00	21,869.88	196,700.88	186,643.66	10,057.22
Energy (Natural Gas)	000-262-621	331,172.00	(97,059.00)	234,113.00	208,121.07	25,991.93
Energy (Electricity)	000-262-622	390,580.00	(76,157.54)	314,422.46	264,658.82	49,763.64
Other Objects	000-262-800	142,700.00	(2,000.00)	140,700.00	140,642.06	57.94
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>		<b>2,577,284.00</b>	<b>(127,590.60)</b>	<b>2,449,693.40</b>	<b>2,277,862.36</b>	<b>171,831.04</b>
<b>Undist. Expend. - Care and Upkeep of Grounds</b>						
Cleaning, Repair and Maintenance Services	000-263-420	23,000.00	(69.00)	22,931.00	18,082.51	4,848.49
Other Objects	000-263-800	26,555.00	313.00	26,868.00	23,293.92	3,574.08
<b>Total Undist. Expend. - Care and Upkeep of Grounds</b>		<b>49,555.00</b>	<b>244.00</b>	<b>49,799.00</b>	<b>41,376.43</b>	<b>8,422.57</b>
<b>Undist. Expend. - Student Transportation Serv.</b>						
Salaries for Pupil Trans. (Between Home & School) - Special	000-270-161	15,105.00	816.61	15,921.61	15,532.35	389.26
Salaries for Pupil Trans. (Other than Between Home & School)	000-270-162	10,759.00	157.20	10,916.20	10,872.60	43.60
Contracted Services (Between Home and School) - Vendors	000-270-511	58,300.00	-	58,300.00	58,177.00	123.00
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	134,425.00	(492.00)	133,933.00	133,888.22	44.78
Contracted Services (Special Education Students) - Joint Agreement	000-270-515	255,000.00	(9,500.00)	245,500.00	206,335.07	39,164.93
Contracted Services - Aid in Lieu of Payments	000-270-503	40,000.00	(5,331.00)	34,669.00	34,668.68	0.32
Transportation Supplies	000-270-615	2,500.00	(650.00)	1,850.00	-	1,850.00
Other Objects	000-270-800	13,500.00	(2,900.00)	10,600.00	3,905.80	6,694.20
<b>Total Undist. Expend. - Student Transportation Serv.</b>		<b>529,589.00</b>	<b>(17,899.19)</b>	<b>511,689.81</b>	<b>463,379.72</b>	<b>48,310.09</b>
<b>UNALLOCATED BENEFITS</b>						
Social Security Contributions	000-291-220	451,760.00	(15,886.00)	435,874.00	434,885.11	988.89
Other Retirement Contributions - PERS	000-291-241	383,504.00	33,711.64	417,215.64	417,214.84	0.80
Other Retirement Contributions - Regular	000-291-249	5,000.00	2,691.03	7,691.03	7,690.24	0.79
Unemployment Compensation	000-291-250	70,000.00	40,000.00	110,000.00	90,000.00	20,000.00
Workmen's Compensation	000-291-260	237,169.00	(16,000.00)	221,169.00	218,003.00	3,166.00
Health Benefits	000-291-270	5,094,643.00	(486,019.26)	4,608,623.74	4,436,817.27	171,806.47
Tuition Reimbursement	000-291-280	46,000.00	8,890.00	54,890.00	54,533.00	357.00
Other Employee Benefits	000-291-290	30,000.00	38,000.00	68,000.00	18,000.00	50,000.00
<b>TOTAL UNALLOCATED BENEFITS</b>		<b>6,318,076.00</b>	<b>(394,612.59)</b>	<b>5,923,463.41</b>	<b>5,677,143.46</b>	<b>246,319.95</b>
On-behalf TPAF Pension Contributions (non-budgeted)		-	-	-	2,436,243.00	(2,436,243.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)		-	-	-	1,269,446.03	(1,269,446.03)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,705,689.03</b>	<b>(3,705,689.03)</b>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>		<b>6,318,076.00</b>	<b>(394,612.59)</b>	<b>5,923,463.41</b>	<b>9,382,832.49</b>	<b>(3,459,369.08)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>		<b>17,668,000.00</b>	<b>165,597.96</b>	<b>17,833,597.96</b>	<b>20,466,586.15</b>	<b>(2,632,988.19)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>		<b>32,785,761.00</b>	<b>899,920.56</b>	<b>33,685,681.56</b>	<b>36,155,473.67</b>	<b>(2,469,792.11)</b>
<b>CAPITAL OUTLAY</b>						
<b>Equipment</b>						
<b>Regular Programs - Instruction:</b>						
Undistributed Expenditures - General Admin.	000-230-730	11,250.00	6,701.76	17,951.76	14,840.76	3,111.00
Undistributed Expenditures - Student Transportation:						
Non-Instructional Equipment	000-270-732	39,000.00	-	-	-	-
School Buses - Regular	000-270-733	-	39,000.00	39,000.00	37,264.00	1,736.00
<b>Total Equipment</b>		<b>50,250.00</b>	<b>45,701.76</b>	<b>56,951.76</b>	<b>52,104.76</b>	<b>4,847.00</b>
<b>Facilities Acquisition and Construction Services</b>						
Other Purchased Professional and Technical Services	000-400-390	32,000.00	-	32,000.00	28,236.46	3,763.54
Construction Services	000-400-450	556,000.00	26,581.00	582,581.00	539,489.90	43,091.10
Land and Improvements	000-400-710	55,000.00	18,263.00	73,263.00	49,462.01	23,800.99
Assessment for Debt Service on SDA Funding	000-400-896	48,298.00	-	48,298.00	48,298.00	-
<b>Total Facilities Acquisition and Construction Services</b>		<b>691,298.00</b>	<b>44,844.00</b>	<b>736,142.00</b>	<b>665,486.37</b>	<b>70,655.63</b>
<b>TOTAL CAPITAL OUTLAY</b>		<b>741,548.00</b>	<b>90,545.76</b>	<b>793,093.76</b>	<b>717,591.13</b>	<b>75,502.63</b>

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2013

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>SPECIAL SCHOOLS</b>						
<b>Summer School - Instruction</b>						
Salaries of Teachers	422-100-101	\$ 278,923.00	\$ 131,787.24	\$ 410,690.24	\$ 408,200.24	\$ 2,490.00
Other Salaries for Instruction	422-100-106	111,934.00	15,028.57	126,962.57	126,962.57	-
Purchased Professional and Technical Services	422-100-300	-	25,834.30	25,834.30	24,834.30	1,000.00
Other Purchased Services (400-500 series)	422-100-500	-	3,009.51	3,009.51	2,000.00	1,009.51
General Supplies	422-100-610	-	500.92	500.92	-	500.92
<b>Total Summer School - Instruction</b>		<u>390,857.00</u>	<u>176,140.54</u>	<u>566,997.54</u>	<u>561,997.11</u>	<u>5,000.43</u>
<b>Summer School - Support Services</b>						
Salaries	422-200-100	12,133.00	5,000.00	17,133.00	17,133.00	-
Personal Services - Employee Benefits	422-200-200	-	127,420.00	127,420.00	127,420.00	-
Other Purchased Services (400-500 series)	422-200-500	-	2,265.00	2,265.00	2,265.00	-
<b>Total Summer School - Support Services</b>		<u>12,133.00</u>	<u>134,685.00</u>	<u>146,818.00</u>	<u>146,818.00</u>	<u>-</u>
<b>Total Summer School</b>		<u>402,990.00</u>	<u>310,825.54</u>	<u>713,815.54</u>	<u>708,815.11</u>	<u>5,000.43</u>
<b>TOTAL SPECIAL SCHOOLS</b>		<u>402,990.00</u>	<u>310,825.54</u>	<u>713,815.54</u>	<u>708,815.11</u>	<u>5,000.43</u>
<b>TOTAL EXPENDITURES</b>		<u>33,930,299.00</u>	<u>1,301,291.86</u>	<u>35,192,590.86</u>	<u>37,581,879.91</u>	<u>(2,389,289.05)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		<u>(1,492,014.00)</u>	<u>(880,255.56)</u>	<u>(2,333,269.56)</u>	<u>(1,144,099.79)</u>	<u>1,189,169.77</u>
<b>Other Financing Sources (Uses):</b>						
<b>Operating Transfer In:</b>						
Transfer from Capital Projects Fund		-	-	-	208,446.52	208,446.52
<b>Operating Transfer Out:</b>						
Transfer to Food Service Fund		-	(19,481.00)	(19,481.00)	(19,480.89)	0.11
<b>Total Other Financing Sources (Uses)</b>		<u>-</u>	<u>(19,481.00)</u>	<u>(19,481.00)</u>	<u>188,965.63</u>	<u>208,446.63</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>		<u>(1,492,014.00)</u>	<u>(899,736.56)</u>	<u>(2,352,750.56)</u>	<u>(955,134.16)</u>	<u>1,397,616.40</u>
<b>Fund Balance, July 1</b>		<u>4,639,921.69</u>	<u>-</u>	<u>4,639,921.69</u>	<u>4,639,921.69</u>	<u>-</u>
<b>Fund Balance, June 30</b>		<u>\$ 3,147,907.69</u>	<u>\$ (899,736.56)</u>	<u>\$ 2,287,171.13</u>	<u>\$ 3,684,787.53</u>	<u>\$ 1,397,616.40</u>
<b>Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Financing Sources (Uses):</b>						
Increase in Capital Reserve		\$ -	\$ -	\$ -	\$ 200,171.25	\$ 200,171.25
Withdrawal from Capital Reserve		(427,860.00)	-	(427,860.00)	(427,860.00)	-
Adjustment for Prior Year Encumbrances		-	(860,736.56)	(860,736.56)	(860,736.56)	-
Budgeted Fund Balance		<u>(1,064,154.00)</u>	<u>-</u>	<u>(1,064,154.00)</u>	<u>133,291.15</u>	<u>\$ 1,197,445.15</u>
<b>Total</b>		<u>\$ (1,492,014.00)</u>	<u>\$ (860,736.56)</u>	<u>\$ (2,352,750.56)</u>	<u>\$ (955,134.16)</u>	<u>\$ 1,397,616.40</u>
<b>Analysis of Fund Balance June 30, 2013:</b>						
<b>Restricted Fund Balance:</b>						
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures					\$ 843,810.92	
Reserve for Excess Surplus					677,582.64	
Capital Reserve Account					836,341.49	
<b>Assigned Fund Balance:</b>						
Year-end Encumbrances					494,214.96	
Designated for Subsequent Year's Expenditures					76,614.08	
Unassigned Fund Balance					<u>756,223.44</u>	
					<u>\$ 3,684,787.53</u>	
<b>Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:</b>						
Fund Balance June 30, 2013					\$ 3,684,787.53	
Last Two Current Year State Aid Payments Not Realized on GAAP Basis					<u>(70,128.00)</u>	
					<u>\$ 3,614,659.53</u>	

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 206,162.00	\$ 59,626.00	\$ 265,788.00	\$ 261,220.00	\$ 4,568.00
Federal Sources	219,040.00	80,272.00	299,312.00	292,300.97	7,011.03
Local Sources	-	296,844.34	296,844.34	236,547.98	60,296.36
<b>Total Revenues</b>	<b>\$ 425,202.00</b>	<b>\$ 436,742.34</b>	<b>\$ 861,944.34</b>	<b>\$ 790,068.95</b>	<b>\$ 71,875.39</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Personal Services - Salaries	\$ 369,040.00	\$ (25,617.72)	\$ 343,422.28	\$ 334,496.14	\$ 8,926.14
Purchased Professional and Technical Services		14,494.72	14,494.72	12,453.72	2,041.00
Other Purchased Services (400-500 series)		212,127.00	212,127.00	210,751.79	1,375.21
General Supplies		41,838.18	41,838.18	11,893.37	29,944.81
Textbooks	47,830.00	(39,904.00)	7,926.00	7,926.00	-
Other Objects	-	12,500.00	12,500.00	6,785.47	5,714.53
<b>Total Instruction</b>	<b>416,870.00</b>	<b>215,438.18</b>	<b>632,308.18</b>	<b>584,306.49</b>	<b>48,001.69</b>
<b>Support Services</b>					
Personal Services - Employee Benefits		19,800.00	19,800.00	19,800.00	-
Purchased Professional and Technical Services	8,332.00	72,681.36	81,013.36	65,131.18	15,882.18
Purchased Professional - Educational Services		103,736.80	103,736.80	98,167.28	5,569.52
Other Purchased Services (400-500 series)		3,500.00	3,500.00	3,500.00	-
Supplies and Materials	-	21,586.00	21,586.00	19,164.00	2,422.00
<b>Total Support Services</b>	<b>8,332.00</b>	<b>221,304.16</b>	<b>229,636.16</b>	<b>205,762.46</b>	<b>23,873.70</b>
<b>Total Expenditures</b>	<b>425,202.00</b>	<b>436,742.34</b>	<b>861,944.34</b>	<b>790,068.95</b>	<b>71,875.39</b>
<b>Total Outflows</b>	<b>\$ 425,202.00</b>	<b>\$ 436,742.34</b>	<b>\$ 861,944.34</b>	<b>\$ 790,068.95</b>	<b>\$ 71,875.39</b>

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Required Supplementary Information  
Budgetary Comparison Schedule  
Note to RSI  
For the Fiscal Year Ended June 30, 2013

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1&C-2]	\$ 36,437,780.12	\$ 790,068.95
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		(11,450.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	11,879.00
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ 36,426,330.12	\$ 801,947.95
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1&C-2]	37,581,879.91	\$ 790,068.95
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		-	11,879.00
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 37,581,879.91	\$ 801,947.95

## **OTHER SUPPLEMENTARY INFORMATION**

**Section D**  
**SCHOOL LEVEL SCHEDULES**

**Section E**  
**SPECIAL REVENUE FUND**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Special Revenue Fund  
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2013

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
<b>REVENUES</b>					
State Sources		\$ 261,220.00	\$ 261,220.00	\$ -	\$ -
Federal Sources		292,300.97		292,300.97	
Local Sources		<u>236,547.98</u>	<u>-</u>	<u>-</u>	<u>236,547.98</u>
<b>Total Revenues</b>		<u>\$ 790,068.95</u>	<u>\$ 261,220.00</u>	<u>\$ 292,300.97</u>	<u>\$ 236,547.98</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	100-100	\$ 334,496.14	\$ 118,422.28	\$ -	\$ 216,073.86
Purchased Professional and Technical Services	100-300	12,453.72	5,494.72	6,959.00	-
Other Purchased Services (400-500 series)	100-500	210,751.79	11,908.00	198,843.79	-
General Supplies	100-610	11,893.37	1,000.00	6,204.00	4,689.37
Textbooks	100-640	7,926.00	7,926.00	-	-
Other Objects	100-800	<u>6,785.47</u>	<u>-</u>	<u>-</u>	<u>6,785.47</u>
<b>Total Instruction</b>		<u>584,306.49</u>	<u>144,751.00</u>	<u>212,006.79</u>	<u>227,548.70</u>
<b>Support Services:</b>					
Personal Services - Employee Benefits	200-200	19,800.00	19,800.00	-	-
Purchased Professional and Technical Services	200-300	65,131.18	11,001.00	54,130.18	-
Purchased Professional - Educational Services	200-320	98,167.28	85,668.00	3,500.00	8,999.28
Other Purchased Services (400-500 series)	200-500	3,500.00	-	3,500.00	-
Supplies and Materials	200-600	<u>19,164.00</u>	<u>-</u>	<u>19,164.00</u>	<u>-</u>
<b>Total Support Services</b>		<u>205,762.46</u>	<u>116,469.00</u>	<u>80,294.18</u>	<u>8,999.28</u>
<b>Total Expenditures</b>		<u>\$ 790,068.95</u>	<u>\$ 261,220.00</u>	<u>\$ 292,300.97</u>	<u>\$ 236,547.98</u>

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Special Revenue Fund**  
**Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

		ADJ		SERVICES		SERVICES		INITIATIVE		GRANT	
		TOTAL									
REVENUES											
State Sources		\$ 261,220.00	\$ 7,926.00	\$ 82,743.00	\$ 11,001.00	\$ 2,925.00	\$ 156,625.00				
Total State Revenues		\$ 261,220.00	\$ 7,926.00	\$ 82,743.00	\$ 11,001.00	\$ 2,925.00	\$ 156,625.00				
EXPENDITURES:											
Instruction:											
Personal Services - Salaries	100-100	\$ 118,422.28	\$ -	\$ -	\$ -	\$ -	\$ 118,422.28				
Purchased Professional and Technical Services	100-300	5,494.72					5,494.72				
Other Purchased Services (400-500 series)	100-500	11,908.00					11,908.00				
General Supplies	100-610	1,000.00					1,000.00				
Textbooks	100-640	7,926.00	7,926.00				-				
Total Instruction		144,751.00	7,926.00				136,825.00				
Support Services:											
Personal Services - Employee Benefits	200-200	19,800.00								19,800.00	
Purchased Professional and Technical Services	200-300	11,001.00				11,001.00					
Purchased Professional - Educational Services	200-320	85,668.00		82,743.00		-		2,925.00			
Total Support Services		116,469.00	-	82,743.00	11,001.00			2,925.00		19,800.00	
Total Expenditures		\$ 261,220.00	\$ 7,926.00	\$ 82,743.00	\$ 11,001.00	\$ 2,925.00	\$ 156,625.00				

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Special Revenue Fund**  
**Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Total</u>	<u>E.S.E.A. Title II</u>	<u>I.D.E.A. Part B</u>	
			<u>Basic</u>	<u>Preschool</u>
<b>REVENUES</b>				
Federal Sources	\$ 292,300.97	\$ 28,390.00	\$ 256,501.97	\$ 7,409.00
<b>Total Federal Revenues</b>	<b>\$ 292,300.97</b>	<b>\$ 28,390.00</b>	<b>\$ 256,501.97</b>	<b>\$ 7,409.00</b>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Purchased Professional and Technical Services	\$ 6,959.00	\$ 1,500.00	\$ 5,459.00	\$ -
Other Purchased Services (400-500 series)	198,843.79	1,931.00	196,912.79	
General Supplies	6,204.00	6,000.00	-	204.00
<b>Total Instruction</b>	<b>212,006.79</b>	<b>9,431.00</b>	<b>202,371.79</b>	<b>204.00</b>
<b>Support Services:</b>				
Purchased Professional and Technical Services	54,130.18		54,130.18	
Purchased Professional - Educational Services	3,500.00	3,500.00		
Other Purchased Services (400-500 series)	3,500.00	3,500.00		
Supplies and Materials	19,164.00	11,959.00	-	7,205.00
<b>Total Support Services</b>	<b>80,294.18</b>	<b>18,959.00</b>	<b>54,130.18</b>	<b>7,205.00</b>
<b>Total Expenditures</b>	<b>\$ 292,300.97</b>	<b>\$ 28,390.00</b>	<b>\$ 256,501.97</b>	<b>\$ 7,409.00</b>

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Special Revenue Fund  
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2013

		<u>Total</u>	<u>Lake Drive Education Foundation</u>	<u>Mt. Lakes Education Foundation</u>	<u>Academic Team</u>
<b>REVENUES</b>					
Local Sources		\$ 236,547.98	\$ 225,073.14	\$ 4,689.37	\$ 6,785.47
<b>Total Local Revenues</b>		<u>\$ 236,547.98</u>	<u>\$ 225,073.14</u>	<u>\$ 4,689.37</u>	<u>\$ 6,785.47</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	100-100	\$ 216,073.86	\$ 216,073.86	\$ -	\$ -
General Supplies	100-610	4,689.37		4,689.37	
Other Objects	100-800	6,785.47	-	-	6,785.47
<b>Total Instruction</b>		<u>227,548.70</u>	<u>216,073.86</u>	<u>4,689.37</u>	<u>6,785.47</u>
<b>Support Services:</b>					
Purchased Professional - Educational Services	200-320	8,999.28	8,999.28		
<b>Total Support Services</b>		<u>8,999.28</u>	<u>8,999.28</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>		<u>\$ 236,547.98</u>	<u>\$ 225,073.14</u>	<u>\$ 4,689.37</u>	<u>\$ 6,785.47</u>

**Section F**  
**CAPITAL PROJECTS FUND**

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Capital Projects Fund  
Summary Schedule of Project Expenditures  
For the Year Ended June 30, 2013

<u>Project Title/Issue</u>	<u>Approval Date</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2013</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Briarcliff Middle School Science Lab	8/20/09	\$ 162,517.42	\$ 162,517.42	\$ -	\$ -
H.S. Roof - Phase B	8/20/09	447,671.76	447,671.76	-	-
H.S. Roof - Phase C	8/20/09	460,589.66	460,589.66	-	-
Wildwood Elementary School Roof	8/20/09	325,985.95	325,985.95	-	-
H.S. Roof - Phase A	5/12/11	<u>477,190.00</u>	<u>477,190.00</u>	<u>-</u>	<u>-</u>
Totals		<u>\$ 1,873,954.79</u>	<u>\$ 1,873,954.79</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis**  
**For the Year Ended June 30, 2013**

**REVENUES AND OTHER FINANCING SOURCES**

State Sources - SDA Grant	\$ (97,846.42)
Bond Proceeds	-
Contribution from private sources	-
Transfer from capital reserve	(136,171.25)
Transfer from capital outlay	<u>(72,275.27)</u>
Total Revenues	<u>(306,292.94)</u>

**EXPENDITURES AND OTHER FINANCING USES**

Equipment (73X)	-
Salaries (100)	-
Legal Services (331)	-
Other Purchased Professional and Technical Services (390)	-
Construction Services (450)	-
General Supplies (610)	-
Land and Improvements (710)	-
Lease Purchase Agreements - Principal (721)	-
Buildings other than Lease Purchase Agreements - Principal (722)	-
Other Objects (800)	<u>-</u>
Total Expenditures	<u>-</u>

Excess (deficiency) of revenues over (under) expenditures (306,292.94)

Fund Balance - July 1 306,292.94

Fund Balance - June 30 \$ -

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**Briarcliff Middle School Science Lab**  
**From Inception and for the Year Ended June 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SCC Grant	\$ 56,517.42	\$ 31,564.54	\$ 88,081.96	\$ 56,517.42
Bond Proceeds			-	
Contribution from private sources	106,000.00		106,000.00	106,000.00
Transfer from capital reserve			-	
Transfer from capital outlay	-	(31,564.54)	(31,564.54)	-
Total Revenues	<u>162,517.42</u>	<u>-</u>	<u>162,517.42</u>	<u>162,517.42</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)	36,749.83		36,749.83	41,092.42
Construction Services (450)	125,767.59		125,767.59	121,425.00
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	<u>162,517.42</u>	<u>-</u>	<u>162,517.42</u>	<u>162,517.42</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ADDITIONAL PROJECT INFORMATION**

Project Number	SP3460-060-04-1000
Grant Date	12/29/04
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 175,280.00
Additional Authorized Cost	\$ (12,762.58)
Revised Authorized Cost	\$ 162,517.42
Percentage Increase over Original Authorized Cost	-7.28%
Percentage Completed	100.00%
Original Target Completion Date	9/1/05
Revised Target Completion Date	9/1/05

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**H.S. Roof - Phase B**  
**From Inception and for the Year Ended June 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 186,225.99	\$ -	\$ 186,225.99	\$ 186,225.99
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve	225,000.00	(17,908.21)	207,091.79	207,091.79
Transfer from capital outlay	54,353.98	-	54,353.98	54,353.98
Total Revenues	<u>465,579.97</u>	<u>(17,908.21)</u>	<u>447,671.76</u>	<u>447,671.76</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)	10,740.82		10,740.82	11,333.33
Construction Services (450)	436,930.94		436,930.94	436,338.43
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	<u>447,671.76</u>	<u>-</u>	<u>447,671.76</u>	<u>447,671.76</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,908.21</u>	<u>(17,908.21)</u>	<u>-</u>	<u>-</u>
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	SP3460-050-09-1002			
Grant Date	8/20/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 465,589.97			
Additional Authorized Cost	\$ (17,918.21)			
Revised Authorized Cost	\$ 447,671.76			
Percentage Increase over Original Authorized Cost	-3.85%			
Percentage Completed	100.00%			
Original Target Completion Date	9/1/09			
Revised Target Completion Date	9/1/09			

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**H.S. Roof - Phase C**  
**From Inception and for the Year Ended June 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 191,311.22	\$ -	\$ 191,311.22	\$ 191,311.22
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve			-	
Transfer from capital outlay	286,981.84	(17,703.40)	269,278.44	269,278.44
Total Revenues	478,293.06	(17,703.40)	460,589.66	460,589.66
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)	6,318.60		6,318.60	6,333.33
Construction Services (450)	454,271.06		454,271.06	454,256.33
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	460,589.66	-	460,589.66	460,589.66
Excess (deficiency) of revenues over (under) expenditures	17,703.40	(17,703.40)	-	-
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	SP3460-050-09-1003			
Grant Date	8/20/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 478,303.06			
Additional Authorized Cost	\$ (17,713.40)			
Revised Authorized Cost	\$ 460,589.66			
Percentage Increase over Original Authorized Cost	-3.70%			
Percentage Completed	100.00%			
Original Target Completion Date	9/1/09			
Revised Target Completion Date	9/1/09			

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**Wildwood Elementary School Roof**  
**From Inception and for the Year Ended June 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 139,591.31	\$ -	\$ 139,591.31	\$ 139,591.31
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve			-	
Transfer from capital outlay	209,401.97	(23,007.33)	186,394.64	186,394.64
Total Revenues	<u>348,993.28</u>	<u>(23,007.33)</u>	<u>325,985.95</u>	<u>325,985.95</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)	5,686.00		5,686.00	5,833.33
Construction Services (450)	320,299.95		320,299.95	320,152.62
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	<u>325,985.95</u>	<u>-</u>	<u>325,985.95</u>	<u>325,985.95</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,007.33</u>	<u>(23,007.33)</u>	<u>-</u>	<u>-</u>
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	SP3460-080-09-1004			
Grant Date	8/20/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 349,003.28			
Additional Authorized Cost	\$ (23,017.33)			
Revised Authorized Cost	\$ 325,985.95			
Percentage Increase over Original Authorized Cost	-6.60%			
Percentage Completed	100.00%			
Original Target Completion Date	9/1/09			
Revised Target Completion Date	9/1/09			

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**H.S. Roof - Phase A**  
**From Inception and for the Year Ended June 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 289,946.00	\$ (129,410.96)	\$ 160,535.04	\$ 160,535.04
Bond Proceeds			-	
Contribution from private sources			-	
Transfer from capital reserve	430,918.00	(118,263.04)	312,654.96	312,654.96
Transfer from capital outlay	4,000.00	-	4,000.00	4,000.00
Total Revenues	<u>724,864.00</u>	<u>(247,674.00)</u>	<u>477,190.00</u>	<u>477,190.00</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Equipment (73X)			-	
Salaries (100)			-	
Legal Services (331)			-	
Other Purchased Professional and Technical Services (390)	28,130.00		28,130.00	28,130.00
Construction Services (450)	449,060.00		449,060.00	449,060.00
General Supplies (610)			-	
Land and Improvements (710)			-	
Lease Purchase Agreements - Principal (721)			-	
Buildings other than Lease Purchase Agreements - Principal (722)			-	
Other Objects (800)	-	-	-	-
Total Expenditures	<u>477,190.00</u>	<u>-</u>	<u>477,190.00</u>	<u>477,190.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247,674.00</u>	<u>(247,674.00)</u>	<u>-</u>	<u>-</u>
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	SP3460-050-09-1001			
Grant Date	5/12/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 724,864.00			
Additional Authorized Cost	\$ (247,674.00)			
Revised Authorized Cost	\$ 477,190.00			
Percentage Increase over Original Authorized Cost	-34.17%			
Percentage Completed	100.00%			
Original Target Completion Date	9/1/11			
Revised Target Completion Date	9/1/11			

**Section G**  
**PROPRIETARY FUNDS**

**ENTERPRISE FUND**

## **INTERNAL SERVICE FUND**

**Section H**  
**FIDUCIARY FUND**

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2013**

<u>Schools</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Briarcliff	\$ 44,438.12	\$ 111,413.19	\$ 108,986.14	\$ 46,865.17
Lake Drive	10,531.04	7,244.50	9,556.73	8,218.81
Wildwood	23,434.22	41,653.76	40,843.52	24,244.46
High School	<u>251,426.74</u>	<u>658,234.58</u>	<u>652,849.32</u>	<u>256,812.00</u>
	<u>\$ 329,830.12</u>	<u>\$ 818,546.03</u>	<u>\$ 812,235.71</u>	<u>\$ 336,140.44</u>

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Balance</u> <u>June 30, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Payroll Deductions and Withholdings	\$ 158,052.87	\$ 12,389,699.49	\$ 12,332,838.50	\$ 214,913.86
Net Salaries and Wages	-	14,446,192.87	14,446,192.87	-
IRS Section 125 Plan	18,155.68	18,185.22	17,505.69	18,835.21
Summer Savings Plan	<u>118,836.79</u>	<u>229,354.68</u>	<u>237,572.86</u>	<u>110,618.61</u>
	<u>\$ 295,045.34</u>	<u>\$ 27,083,432.26</u>	<u>\$ 27,034,109.92</u>	<u>\$ 344,367.68</u>

**Section I**  
**LONG – TERM DEBT**

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Long - Term Debt  
Schedule of Serial Bonds  
For the Fiscal Year Ended June 30, 2013**

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding June 30, 2013		Interest Rate	Balance June 30, 2012	Retired Current Year	Balance June 30, 2013
			Date	Amount				
High School	11/15/2003	\$ 10,920,000.00	09/15/13	\$ 400,000.00	3.750%	\$ 800,000.00	\$ 400,000.00	\$ 400,000.00
Refunding	9/14/2005	5,825,000.00	01/15/14	340,000.00	4.500%	4,580,000.00	325,000.00	4,255,000.00
			01/15/15	355,000.00	5.000%			
			01/15/16	380,000.00	5.000%			
			01/15/17	400,000.00	3.600%			
			01/15/18	415,000.00	3.700%			
			01/15/19	430,000.00	4.000%			
			01/15/20	450,000.00	4.000%			
			01/15/21	475,000.00	4.000%			
			01/15/22	495,000.00	4.000%			
			01/15/23	515,000.00	4.000%			
Refunding	3/19/2012	7,600,000.00	09/15/13	50,000.00	2.000%	7,600,000.00	50,000.00	7,550,000.00
			09/15/14	470,000.00	2.000%			
			09/15/15	465,000.00	3.000%			
			09/15/16	490,000.00	3.000%			
			09/15/17	485,000.00	3.000%			
			09/15/18	510,000.00	4.000%			
			09/15/19	505,000.00	2.000%			
			09/15/20	520,000.00	2.000%			
			09/15/21	510,000.00	2.125%			
			09/15/22	505,000.00	4.000%			
			09/15/23	500,000.00	2.250%			
			09/15/24	510,000.00	2.375%			
			09/15/25	500,000.00	2.500%			
			09/15/26	515,000.00	3.000%			
			09/15/27	505,000.00	3.000%			
			09/15/28	510,000.00	2.750%			
						\$ 12,980,000.00	\$ 775,000.00	\$ 12,205,000.00

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
Budgetary Comparison Schedule  
Debt Service Fund  
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 1,150,513.00	\$ -	\$ 1,150,513.00	\$ 1,150,513.00	\$ -
Total - Local Sources	<u>1,150,513.00</u>		<u>1,150,513.00</u>	<u>1,150,513.00</u>	
State Sources:					
Debt Service Aid Type II	107,347.00		107,347.00	107,347.00	-
Total - State Sources	<u>107,347.00</u>		<u>107,347.00</u>	<u>107,347.00</u>	
<b>Total Revenues</b>	<u>1,257,860.00</u>		<u>1,257,860.00</u>	<u>1,257,860.00</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	532,861.00		532,861.00	419,144.59	113,716.41
Redemption of Principal	725,000.00		725,000.00	775,000.00	(50,000.00)
Total Regular Debt Service	<u>1,257,861.00</u>		<u>1,257,861.00</u>	<u>1,194,144.59</u>	<u>63,716.41</u>
<b>Total Expenditures</b>	<u>1,257,861.00</u>		<u>1,257,861.00</u>	<u>1,194,144.59</u>	<u>63,716.41</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1.00)		(1.00)	63,715.41	63,716.41
Fund Balance, July 1	1.19	-	1.19	1.19	-
Fund Balance, June 30	<u>0.19</u>	<u>\$ -</u>	<u>0.19</u>	<u>\$ 63,716.60</u>	<u>\$ 63,716.41</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Budgeted Fund Balance	<u>\$ (1.00)</u>	<u>\$ -</u>	<u>\$ (1.00)</u>	<u>\$ 63,715.41</u>	<u>\$ 63,716.41</u>

## **STATISTICAL SECTION (UNAUDITED)**

GASB requires that ten years of statistical data be presented. Pursuant to State of New Jersey Department of Education requirements issued for the fiscal year ended June 30, 1994, only two years statistical data needed to be presented. Additional year's data will be included each year thereafter until ten years of data is presented.

## **STATISTICAL SECTION (Unaudited)**

### **Financial Trends**

J-1	Net Position by Component
J-2	Changes in Net Position
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

### **Revenue Capacity**

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers
J-9	Property Tax Levies and Collections

### **Debt Capacity**

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J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

### **Demographic and Economic Information**

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J-18	School Building Information
J-19	Schedule of Required Maintenance for School Facilities
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**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

Net Position by Component  
Last Ten Fiscal Years  
(actual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental activities</b>										
Net investment in capital assets										
Restricted	\$ 11,853,401.87	\$ 11,400,191.20	\$ 11,029,588.17	\$ 11,249,230.59	\$ 10,200,043.41	\$ 9,978,016.66	\$ 9,672,135.64	\$ 7,143,412.06	\$ (2,750,450.91)	\$ (7,036,707.08)
Unrestricted	2,770,122.55	3,984,211.72	3,016,362.99	1,355,938.80	1,746,200.14	1,166,943.04	514,013.70	3,525,033.02	13,199,966.28	16,073,252.52
Total governmental activities net position	\$ 14,911,053.92	\$ 15,622,075.81	\$ 14,699,017.79	\$ 13,168,981.12	\$ 12,171,498.97	\$ 11,326,044.93	\$ 10,776,836.69	\$ 11,215,570.18	\$ 10,764,354.51	\$ 9,705,188.95
<b>Business-type activities</b>										
Net investment in capital assets	\$ 12,088.06	\$ 14,273.72	\$ 16,459.33	\$ 12,254.36	\$ 13,948.39	\$ 15,642.42	\$ 5,960.16	\$ 6,753.75	\$ 7,547.34	\$ 445.51
Restricted	90,008.78	94,973.75	78,013.44	63,472.04	50,831.15	41,937.24	23,074.80	15,475.25	13,773.57	-
Unrestricted	\$ 102,096.84	\$ 109,247.47	\$ 94,472.77	\$ 75,726.40	\$ 64,779.54	\$ 57,579.66	\$ 29,034.96	\$ 22,229.00	\$ 21,320.91	\$ 445.51
Total business-type activities net position										
<b>District-wide</b>										
Net investment in capital assets	\$ 11,865,489.93	\$ 11,414,464.92	\$ 11,046,047.50	\$ 11,261,484.95	\$ 10,213,991.80	\$ 9,993,659.08	\$ 9,678,095.80	\$ 7,150,165.81	\$ (2,742,903.57)	\$ (7,036,261.57)
Restricted	2,770,122.55	3,984,211.72	3,016,362.99	1,355,938.80	1,746,200.14	1,166,943.04	514,013.70	3,525,033.02	13,199,966.28	16,073,252.52
Unrestricted	377,538.28	332,646.64	731,080.07	628,283.77	276,086.57	223,022.47	613,762.15	562,600.35	328,612.71	668,643.51
Total district net position	\$ 15,013,150.76	\$ 15,731,323.28	\$ 14,793,490.56	\$ 13,245,707.52	\$ 12,236,278.51	\$ 11,383,624.59	\$ 10,805,871.65	\$ 11,237,799.18	\$ 10,785,675.42	\$ 9,705,634.46

Source: District records

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 12,883,773.71	\$ 12,105,465.39	\$ 11,969,306.92	\$ 12,260,715.52	\$ 11,854,426.73	\$ 11,839,848.93	\$ 11,458,118.30	\$ 10,313,992.59	\$ 10,291,518.13	\$ 9,324,946.21
Special education	8,892,351.96	8,633,501.23	8,740,015.38	9,155,900.58	8,684,669.44	9,272,111.69	8,998,374.82	8,048,700.49	6,997,555.18	7,960,634.85
Other instruction	1,364,019.38	1,276,790.58	1,185,135.42	1,233,700.09	1,206,524.81	1,229,829.13	1,156,551.18	1,034,253.01	981,663.58	770,382.88
Support Services										
Tuition	849,312.69	927,878.48	858,082.92	821,756.51	711,828.50	898,584.40	563,620.33	484,381.27	522,566.42	473,415.21
Student and instruction related services	6,242,404.04	5,674,755.77	5,488,974.58	5,554,314.20	5,524,238.98	5,789,378.73	5,138,132.85	5,063,983.57	4,506,359.62	3,450,466.86
School administrative services	2,259,967.86	2,076,541.37	2,152,368.95	2,068,951.25	1,986,386.93	2,075,024.19	2,496,688.99	2,119,114.49	1,935,013.28	1,403,691.71
General and business administrative services	986,840.67	948,756.33	1,033,641.17	921,807.17	1,036,189.56	1,167,435.05	1,298,392.16	1,191,862.33	1,103,405.80	1,321,973.41
Plant operations and maintenance	3,716,357.36	3,680,914.95	3,705,077.40	3,732,456.20	3,897,884.86	3,564,260.99	3,348,148.96	2,997,041.00	2,078,258.07	2,469,391.52
Pupil transportation	491,102.68	511,346.66	507,697.67	480,469.33	433,255.87	495,858.90	501,850.67	480,854.95	396,079.47	300,464.95
Special Schools	935,729.78	819,710.12	679,642.79	753,780.23	713,531.76	415,505.53	378,273.27	325,207.60	330,860.88	263,983.06
SDA Debt Service Assessment	48,298.00	35,192.00	289,916.00	481,518.74	597,973.76	638,964.49	673,022.43	654,545.24	750,301.75	603,454.39
Interest on long-term debt	409,674.88	515,467.16	573,890.96	597,973.76	620,599.86	638,964.49	673,022.43	654,545.24	750,301.75	603,454.39
Total governmental activities expenses	39,079,833.01	37,206,320.04	37,183,750.16	38,063,343.58	36,671,537.30	37,986,802.03	36,012,213.95	32,772,216.54	30,828,759.49	33,452,158.83
Business-type activities										
Food service	646,278.49	624,195.68	507,046.09	511,100.11	576,291.17	549,265.04	530,827.44	521,215.66	504,429.92	415,770.29
Total business-type activities expense	646,278.49	624,195.68	507,046.09	511,100.11	576,291.17	549,265.04	530,827.44	521,215.66	504,429.92	415,770.29
Total district-wide expenses	39,726,111.50	37,830,515.72	37,690,796.25	38,574,443.69	37,247,828.47	37,536,067.07	36,543,041.39	33,293,432.20	31,333,189.41	33,867,929.14
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
Special Schools	699,015.60	660,902.00	541,765.00	599,614.00	568,320.00	486,330.00	421,244.00	415,070.00	330,880.88	363,480.00
Interest on long-term debt	302,327.88	408,361.16	467,164.96	473,023.76	495,165.86	514,433.47	548,299.43	530,977.24	626,813.75	480,156.39
Operating grants and contributions	5,415,643.92	4,602,538.48	3,629,185.52	4,127,667.29	3,679,724.83	4,965,814.35	4,964,124.79	3,750,303.45	3,557,224.58	3,382,002.54
Total governmental activities program revenues	6,416,987.40	5,676,861.64	4,638,126.46	5,200,305.05	4,943,230.69	5,966,577.82	5,933,668.22	4,696,350.69	4,514,919.21	4,225,638.93

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)**  
**Unaudited**

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Business-type activities:</b>										
Charges for services:										
Food service										
Operating grants and contributions	\$ 595,983.15	\$ 584,493.17	\$ 479,216.16	\$ 468,961.37	\$ 524,841.04	\$ 514,889.55	\$ 475,376.12	\$ 463,439.50	\$ 441,690.98	\$ 386,056.23
Total business-type activities program revenues	23,663.82	21,619.93	9,114.20	9,872.76	10,452.40	11,507.96	8,522.03	8,843.03	9,799.81	386,056.23
Total district-wide program revenues	619,646.97	606,113.10	488,330.36	478,834.13	535,293.44	526,397.51	483,898.15	472,282.53	451,490.79	386,056.23
	7,036,634.37	6,282,974.74	5,126,456.84	5,679,139.18	5,478,524.13	6,492,975.33	6,417,566.37	5,168,633.22	4,966,410.00	4,611,695.16
<b>Net (Expense)/Revenue</b>										
Governmental activities	(32,662,845.61)	(31,529,458.40)	(32,545,623.68)	(32,863,038.53)	(31,728,306.61)	(31,420,224.21)	(30,078,545.73)	(28,075,865.85)	(26,313,840.28)	(29,226,519.92)
Business-type activities	(26,631.52)	(18,082.58)	(18,715.73)	(32,265.98)	(40,997.73)	(22,867.53)	(46,929.29)	(48,933.13)	(52,939.13)	(29,714.06)
Total district-wide net expense	(32,689,477.13)	(31,547,540.98)	(32,564,339.41)	(32,895,304.51)	(31,769,304.34)	(31,443,091.74)	(30,125,475.02)	(28,124,798.98)	(26,366,779.41)	(29,256,233.98)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	18,254,489.00	18,254,489.00	18,254,489.00	17,822,350.00	17,504,158.00	16,787,091.00	16,059,217.00	15,221,775.00	14,492,907.00	13,741,065.00
Property taxes, levied for debt service principal	848,185.12	727,775.84	683,914.04	643,400.24	637,998.14	604,160.53	556,648.57	602,554.76	668,296.25	171,988.61
Federal and State aid not restricted	15,832.06	45,493.00	16,853.46	124,787.30	141,810.06	134,156.95	109,092.96	17,130.65	104,453.10	56,406.02
Tuition (other than special schools)	12,753,512.15	13,443,912.25	14,420,285.00	14,148,267.50	14,165,144.06	14,310,557.08	12,477,474.41	12,605,116.81	11,799,105.09	11,414,170.47
Investment earnings	0.36	786.40	0.46	0.56	1,058.02	14,407.30	60,637.32	203,541.18	157,167.74	93,108.04
Miscellaneous income	197,132.34	192,917.21	156,748.49	218,403.91	171,781.40	170,034.84	180,477.23	198,244.34	114,891.19	118,506.99
Proceeds of long-term debt (Refunding Bonds)	(97,846.42)	(180,000.00)						(140,000.00)		
Education Foundation Contribution									106,000.00	
Transfers	(19,480.89)	(32,857.28)	(37,462.10)	(58,726.33)	(48,189.03)	(50,975.25)	(53,735.25)	(49,841.22)	(69,814.53)	(29,220.12)
Total governmental activities	31,951,823.72	32,452,516.42	33,494,828.35	32,898,483.20	32,573,760.65	31,969,432.45	29,369,812.24	28,658,521.52	27,373,005.84	25,566,025.01
Business-type activities:										
Miscellaneous Income										
Transfers	19,480.89	32,857.28	37,462.10	43,212.84	48,189.03	50,975.25	53,735.25	49,841.22	69,814.53	29,220.12
Total business-type activities	19,480.89	32,857.28	37,462.10	43,212.84	48,189.03	50,975.25	53,735.25	49,841.22	69,814.53	29,220.12
Total district-wide general revenues	31,971,304.61	32,485,373.70	33,532,290.45	32,941,696.04	32,621,959.68	32,020,407.70	29,423,547.49	28,708,362.74	27,442,820.37	25,595,245.13
<b>Change in Net Position</b>										
Governmental activities	(711,021.89)	(923,058.02)	(949,204.67)	(35,444.67)	(845,454.04)	(549,208.24)	(708,733.49)	(582,655.67)	(1,059,165.56)	(3,660,494.91)
Business-type activities	(7,150.63)	(14,774.70)	(18,746.37)	(10,946.96)	(7,199.88)	(28,544.70)	(6,805.96)	(908.09)	(16,875.40)	(493.94)
Total district-wide change in net position	(718,172.52)	(937,832.72)	(967,951.04)	(46,391.63)	(852,653.92)	(577,752.94)	(715,539.45)	(583,563.76)	(1,076,040.96)	(3,660,988.85)
<b>Source: District records</b>										

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**  
**Fund Balances - Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**Unaudited**

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Fund</b>										
Restricted	\$ 2,357,735.05	\$ 2,971,994.86	\$ 2,127,948.13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	570,829.04	860,736.86	673,612.73							
Unassigned	686,095.44	748,511.97	801,346.94							
Reserved				1,503,493.50	1,924,717.43	1,357,038.97	690,326.84	2,055,106.97	2,480,004.84	2,277,605.26
Unreserved				973,084.04	696,109.74	740,237.17	1,150,616.30	1,043,563.70	802,894.53	1,214,219.51
<b>Total general fund</b>	<b>\$ 3,614,659.53</b>	<b>\$ 4,581,243.69</b>	<b>\$ 3,602,907.80</b>	<b>\$ 2,476,577.54</b>	<b>\$ 2,620,827.17</b>	<b>\$ 2,097,276.14</b>	<b>\$ 1,840,943.14</b>	<b>\$ 3,098,670.67</b>	<b>\$ 3,282,899.37</b>	<b>\$ 3,491,824.77</b>
<b>All Other Governmental Funds</b>										
Restricted, reported in:										
Capital projects fund	\$ -	\$ 306,292.94	\$ 283,452.94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service fund	63,716.60									
Assigned, reported in:										
Capital projects fund	1,477.82	1,477.82	472,797.33	1,477.82	1,477.82	1,477.82	35,000.00	1,559,481.44	9,879,213.53	1,274,071.38
Unreserved, reported in:										
Special revenue fund										
Capital projects fund				58,648.94	35,639.78	(3,580.50)	(3,582.00)	(3,309.94)	(3,607.45)	(3,580.65)
Debt service fund	(945.63)	1.19	0.70	0.72	0.50	35,639.78	28,584.58	131,718.84	1,109,874.41	12,948,837.52
Permanent fund	64,248.79	(745.99)	(646.35)	(446.81)	(347.39)	1.28	1.31	21,902.84	1,539.43	1,612.13
<b>Total all other governmental funds</b>	<b>\$ 64,248.79</b>	<b>\$ 307,025.96</b>	<b>\$ 757,082.44</b>	<b>\$ 58,680.67</b>	<b>\$ 36,770.71</b>	<b>\$ 33,286.94</b>	<b>\$ 61,405.96</b>	<b>\$ 1,711,266.83</b>	<b>\$ 10,987,019.92</b>	<b>\$ 14,220,940.38</b>
<b>Total Fund Balances</b>	<b>\$ 3,678,908.32</b>	<b>\$ 4,888,269.65</b>	<b>\$ 4,359,990.24</b>	<b>\$ 2,535,258.21</b>	<b>\$ 2,657,597.88</b>	<b>\$ 2,130,563.08</b>	<b>\$ 1,902,349.10</b>	<b>\$ 4,809,937.50</b>	<b>\$ 14,269,919.29</b>	<b>\$ 17,712,765.15</b>

Source: District records

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**  
**Changes in Fund Balances - Governmental Funds,**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
**Unaudited**

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Tax levy	\$ 19,405,002.00	\$ 19,390,626.00	\$ 19,405,568.00	\$ 18,938,774.00	\$ 18,637,342.00	\$ 17,905,685.00	\$ 17,164,165.00	\$ 16,355,307.00	\$ 15,788,017.00	\$ 14,393,210.00
Tuition charges	13,452,527.75	14,104,814.25	14,962,061.00	14,747,881.50	14,733,464.06	14,796,887.08	12,898,718.41	13,020,186.81	12,129,985.97	11,777,650.47
Interest earnings	0.36	766.40	0.46	0.58	1,058.02	14,407.30	60,637.32	203,541.18	157,167.74	93,108.04
Miscellaneous	433,680.32	458,333.82	381,582.52	411,969.59	272,983.50	232,789.19	290,821.14	198,244.34	114,891.19	118,506.99
State sources	4,890,748.03	4,074,484.10	3,017,203.71	3,653,038.20	3,643,007.83	4,771,208.80	4,665,948.86	3,512,116.97	3,345,074.30	3,074,224.41
Federal sources	304,179.97	313,190.77	404,011.24	405,820.71	277,314.96	266,008.15	276,924.98	295,315.13	316,603.38	364,184.15
<b>Total revenues</b>	<b>38,486,138.43</b>	<b>38,342,235.34</b>	<b>38,170,416.93</b>	<b>38,157,514.56</b>	<b>37,985,180.37</b>	<b>37,986,985.52</b>	<b>35,357,215.71</b>	<b>33,544,713.43</b>	<b>31,851,739.58</b>	<b>29,820,884.06</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	9,017,175.83	8,643,395.85	8,706,597.12	8,928,799.73	8,723,834.98	8,438,795.35	8,198,521.89	7,775,610.81	7,860,018.76	7,154,818.96
Special education instruction	6,262,512.23	6,234,594.65	6,461,309.99	6,803,793.08	6,462,483.41	6,700,318.39	6,496,338.97	6,155,581.10	5,420,599.33	5,443,599.38
Other instruction	997,005.95	955,971.79	902,242.63	937,208.62	919,971.66	916,422.91	859,707.27	808,599.32	778,893.22	746,764.32
<b>Support Services:</b>										
Tuition	849,312.69	927,878.48	858,082.92	821,756.51	711,828.50	898,584.40	563,620.33	484,381.27	522,566.42	473,415.21
Student and instruction related services	4,593,965.69	4,276,579.41	4,261,421.05	4,312,553.18	4,323,330.62	4,418,492.68	3,918,500.53	3,988,413.22	3,671,272.37	3,317,561.29
School administrative services	1,604,084.50	1,507,724.79	1,577,859.37	1,520,617.61	1,497,132.96	1,482,589.23	1,786,763.18	1,669,664.16	1,518,873.73	1,196,113.19
General and business administrative services	760,490.79	748,881.68	815,379.64	718,177.25	825,566.65	954,212.37	1,060,597.22	1,005,536.68	934,457.84	1,199,713.50
Plant operations and maintenance	3,007,061.73	3,032,672.89	3,087,796.55	3,135,360.23	3,319,895.73	2,953,878.11	2,740,945.02	2,513,172.42	2,451,885.70	2,183,508.91
Pupil transportation	463,379.72	486,501.95	502,743.49	475,511.26	428,989.04	490,767.05	496,661.46	476,710.29	392,580.00	330,484.95
Employee benefits	9,402,632.49	8,188,910.53	7,577,037.47	7,852,350.57	7,446,079.87	8,181,622.32	7,905,217.17	6,303,779.79	5,675,917.37	5,064,097.87
Special Schools	708,815.11	661,904.74	544,224.63	600,167.07	568,320.00	415,505.53	378,273.27	325,207.60	330,880.88	263,983.06
Charter Schools										
Capital outlay										
Debt service:										
Principal	717,591.13	872,839.38	46,638.92	1,353,976.77	503,944.34	613,482.92	2,554,310.02	10,262,280.18	4,218,069.98	2,572,466.09
Interest and other charges	775,000.00	685,000.00	675,000.00	635,000.00	630,000.00	590,000.00	575,000.00	555,000.00	510,000.00	448,000.00
Total expenditures	419,144.59	558,242.51	582,805.02	606,373.78	628,598.78	653,125.03	676,572.53	680,197.16	908,598.00	329,566.50
Excess (Deficiency) of revenues over (under) expenditures	39,578,172.45	37,781,098.65	36,598,138.80	38,701,646.66	36,989,956.54	37,707,796.29	38,211,028.86	43,024,134.00	35,194,613.60	30,724,103.23
	(1,092,034.02)	581,136.69	1,571,278.13	(544,132.08)	575,223.83	279,189.23	(2,853,813.15)	(9,479,420.57)	(3,342,874.02)	(903,219.17)

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**  
  
**Changes in Fund Balances - Governmental Funds,  
Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
**Unaudited**

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Other Financing sources (uses)</b>										
Bond proceeds										
N.J. Economic Development Authority grants										
Education Foundation Contribution										
Transfers in										
Transfers out										
Total other financing sources (uses)										
Net change in fund balances										
Debt service as a percentage of noncapital expenditures										
	3.07%	3.37%	3.44%	3.32%	3.45%	3.35%	3.51%	3.77%	4.58%	2.76%

Source: District records

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**General Fund - Other Local Revenue by Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
Unaudited**

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Tuition</u>	<u>Hearing Impaired School Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
2004	\$ 11,855,633.14	\$ 3,024,867.50	\$ 8,752,782.97	\$ 11,845.35	\$ 45,000.00	\$ 21,137.32
2005	12,205,328.09	3,448,080.00	8,681,905.97	13,008.00	45,000.00	17,334.12
2006	13,143,551.39	3,368,540.00	9,651,646.81	27,809.46	45,000.00	50,555.12
2007	13,119,832.96	3,213,754.36	9,684,964.05	60,637.32	130,000.00	30,477.23
2008	14,981,304.91	3,367,738.91	11,429,148.17	14,382.99	130,000.00	40,034.84
2009	14,906,299.43	3,738,374.40	10,995,089.66	1,053.97	140,000.00	31,781.40
2010	14,966,285.41	3,823,139.00	10,924,742.50	-	140,000.00	78,403.91
2011	15,118,799.49	3,927,540.00	11,034,511.00	-	140,000.00	16,748.49
2012	14,298,517.50	4,088,575.00	10,016,239.25	786.04	140,000.00	52,917.21
2013	13,649,660.09	3,787,552.13	9,664,975.62		140,000.00	57,132.34

**Source: District records**

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Assessed Value and Estimated Actual Value of Taxable Property,  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,107,351	\$ -	\$ 634,515,951	\$ 1,034,255,828	2.376
2005	2,347,650	585,216,500	1,200	49,059,100	2,482,901	-	639,917,067	809,716	639,917,067	1,128,933,183	2.513
2006	10,925,100	1,359,592,200	1,500	100,339,100	3,226,100	-	1,474,084,000	809,716	1,474,893,716	1,305,259,898	1.139
2007	10,561,300	1,361,852,600	1,500	96,174,600	3,226,100	-	1,473,816,100	1,344,145	1,475,160,245	1,383,671,288	1.190
2008	10,037,300	1,364,323,300	1,500	98,570,200	3,226,100	-	1,476,158,400	1,374,921	1,477,533,321	1,411,501,260	1.237
2009	8,233,100	1,174,577,900	1,500	96,695,800	3,226,100	-	1,282,734,400	1,438,207	1,284,172,607	1,487,682,407	1.478
2010	17,422,200	1,168,665,300	1,500	100,103,900	3,226,100	-	1,289,419,000	1,260,428	1,290,679,428	1,432,427,801	1.471
2011	19,947,000	1,167,579,900	1,500	101,099,400	3,226,100	-	1,291,853,900	1,215,179	1,293,069,079	1,358,394,404	1.500
2012	20,677,400	1,159,132,100	2,700	101,049,400	3,226,100	-	1,284,087,700	1,274,842	1,285,362,542	1,283,298,950	1.509
2013	20,488,200	1,062,765,900	2,700	94,307,800	3,226,100	-	1,180,790,700	1,284,800	1,182,075,500	1,288,786,647	1.651

(1) Revaluation effective

Source: Municipal Tax Assessor

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(rate per \$100 of assessed value)  
Unaudited**

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	County	
2004	2.253	0.123	2.376	0.521	0.463	3.360
2005	2.291	0.222	2.513	0.545	0.472	3.530
2006	(1)	0.084	1.139	0.255	0.226	1.620
2007	1.105	0.085	1.190	0.282	0.228	1.700
2008	1.153	0.084	1.237	0.308	0.222	1.767
2009	(1)	0.098	1.478	0.368	0.263	2.109
2010	1.375	0.096	1.471	0.374	0.255	2.100
2011	1.404	0.096	1.500	0.374	0.249	2.123
2012	1.411	0.098	1.509	0.409	0.245	2.163
2013	1.550	0.101	1.651	0.462	0.274	2.387

(1) Revaluation effective

Source: Municipal Tax Collector

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Principal Property Taxpayers  
Current Year and Ten Years Ago  
Unaudited**

Fiscal Year Ended June 30,	2013		2004	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Fairfield Industrial LLC	\$ 15,174,100	1.28%	\$ -	
GIM Mountain Lakes Investors, LLC	8,450,000	0.71%		
GIM Mountain Lakes Investors, LLC	5,898,400	0.50%		
Mountain Lakes Association	5,500,000	0.47%		
Deluxe Corporation	5,236,700	0.44%		
Mountain Lakes Club	4,438,300	0.38%		
Evergreen Realty Group, LLC	4,200,000	0.36%		
Zeris Brothers Inc.	2,912,700	0.25%		
Individual Taxpayer	2,732,700	0.23%		
GIM Mountain Lakes Investors, LLC	2,718,300	0.23%		
Total	\$ 57,261,200	4.84%	\$ -	0.00%

**Source: Municipal Tax Assessor**

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Property Tax Levies and Collections  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 19,577,942	\$ 19,406,285	99.12%	\$ 156,722	\$ 19,563,007	99.92%
2004	21,425,192	21,304,332	99.43%	114,690	21,419,022	99.97%
2005	22,699,481	22,588,076	99.50%	94,916	22,682,992	99.92%
2006	23,919,478	23,655,434	98.89%	193,922	23,849,356	99.70%
2007	25,160,057	24,903,036	98.97%	181,168	25,084,204	99.69%
2008	26,170,297	25,862,220	98.82%	242,760	26,104,980	99.75%
2009	27,096,374	26,796,802	98.89%	272,028	27,068,830	99.89%
2010	27,142,846	26,804,557	98.75%	261,288	27,065,845	99.71%
2011	27,495,959	27,141,568	98.71%	254,762	27,396,331	99.63%
2012	27,859,870	27,258,948.66	97.84%		27,258,949	97.84%

**Source: Municipal Tax Collector**

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2004	\$ 17,515,000	\$ -	\$ -	\$ -	\$ -	17,515,000	5.55%	\$ 4,102
2005	17,005,000					17,005,000	5.21%	3,980
2006	16,590,000					16,590,000	4.95%	3,903
2007	16,015,000					16,015,000	4.65%	3,784
2008	15,425,000					15,425,000	4.31%	3,626
2009	14,795,000					14,795,000	4.00%	3,475
2010	14,160,000					14,160,000	3.80%	3,401
2011	13,485,000					13,485,000	3.87%	3,223
2012	12,980,000					12,980,000	3.93%	3,036
2013	12,205,000					12,205,000	3.98%	2,855

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding			
2004	\$ 17,515,000	\$ -	\$ 17,515,000	2.76%	\$ 4,102	
2005	17,005,000		17,005,000	2.66%	3,980	
2006	16,590,000		16,590,000	1.12%	3,903	
2007	16,015,000		16,015,000	1.09%	3,784	
2008	15,425,000		15,425,000	1.04%	3,626	
2009	14,795,000		14,795,000	1.15%	3,475	
2010	14,160,000		14,160,000	1.10%	3,401	
2011	13,485,000		13,485,000	1.04%	3,223	
2012	12,980,000		12,980,000	1.01%	3,036	
2013	12,205,000		12,205,000	1.03%	2,855	

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2012  
Unaudited**

Net Direct Debt of School District as of December 31, 2012	\$ 12,530,000.00
Net Overlapping Debt of School District: Borough of Mountain Lakes (100%)	\$ 8,992,825.00
County of Morris - Borough's share (1.4198%) of \$ 258,802,126.31	<u>3,674,472.59</u>
Total Direct and Overlapping Bonded Debt as of December 31, 2012	<u>12,667,297.59</u>
	<u>\$ 25,197,297.59</u>

Source: Borough of Mountain Lakes Chief Financial Officer and Morris County Treasurer's Office.

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Legal Debt Margin Information  
Last Ten Fiscal Years  
Unaudited**

**Legal Debt Margin Calculation for Fiscal Year 2012**

Equalized valuation basis	
2010	1,352,726,605
2011	1,287,989,930
2012	1,294,051,900
	<u>\$ 3,934,768,435</u>
Average equalized valuation of taxable property	
	<u>\$ 1,311,589,478</u>
Debt limit (4 % of average equalization value)	
	52,463,579
Total Net Debt Applicable to Limit	
	<u>12,205,000</u>
Legal debt margin	
	<u>\$ 40,258,579</u>

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	\$ 56,867,346	\$ 57,416,262	\$ 56,707,142	\$ 54,166,687
Total net debt applicable to limit	14,795,000	14,160,000	13,485,000	12,980,000
Legal debt margin	\$ 42,072,346	\$ 43,256,262	\$ 43,222,142	\$ 41,186,687
Total net debt applicable to the limit as a percentage of debt limit	26.02%	24.66%	23.78%	23.96%
				23.26%

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 37,462,664	\$ 41,182,610	\$ 45,829,197	\$ 50,547,643	\$ 54,382,627
Total net debt applicable to limit	<u>17,515,000</u>	<u>17,005,000</u>	<u>16,590,000</u>	<u>16,015,000</u>	<u>15,425,000</u>
Legal debt margin	<u>\$ 19,947,664</u>	<u>\$ 24,177,610</u>	<u>\$ 29,239,197</u>	<u>\$ 34,532,643</u>	<u>\$ 38,957,627</u>
Total net debt applicable to the limit as a percentage of debt limit	46.75%	41.29%	36.20%	31.68%	28.36%

**Source:** Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited**

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2004	4,270	315,539,437	73,897	2.8%
2005	4,273	326,181,245	76,335	1.2%
2006	4,251	335,210,427	78,854	0.6%
2007	4,232	344,724,694	81,457	0.6%
2008	4,254	357,951,793	84,145	0.8%
2009	4,258	370,111,889	86,922	1.4%
2010	4,163 (Actual)	372,463,610	89,470 (Actual)	1.4%
2011	4,184	348,138,506	83,207	1.3%
2012	4,275	330,153,975	77,229	1.4%
2013	4,275 (Est.)	307,043,197	71,823 (Est.)	

**Sources:**

Population information provided by the NJ Dept of Labor and Workforce Development

Personal income has been estimated based upon the municipal population and per capita personal income presented

Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

Unemployment data provided by the NJ Dept of Labor and Workforce Development

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Principal Employers  
Current Year and Nine Years Ago  
Unaudited**

Employer	2013			2004		
	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
	0		0.00%	0		0.00%
		Not Available			Not Available	

Source: \_\_\_\_\_

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Full-time Equivalent District Employees by Function/Program  
Last Eight Fiscal Years  
Unaudited**

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction										
Regular		120	125	126	119	118	115	115	112	113
Special education		126	131	132	131	130	123	121	121	122
Other instruction										
School sponsored/other instructional										
Support Services:										
Student and instruction related services		69	71	72	78	78	76	76	76	76
School administrative services		34	21	22	22	20	19	19	19	19
General and business administrative services							9	9	9	9
Plant operations and maintenance		23	25	26	26	26	26	26	26	26
Pupil transportation										
Total	<u>0</u>	<u>381</u>	<u>382</u>	<u>387</u>	<u>385</u>	<u>381</u>	<u>403</u>	<u>401</u>	<u>398</u>	<u>400</u>

**Source: District Personnel Records**

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Fiscal Year	Pupil/Teacher Ratio					Hearing Impaired School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary School	Middle School	Senior High School		
2004	1,643.6	\$ 27,374,071	\$ 16,655	9.58%	245	1:14	1:13	1:10	1,566.1	95.3%
2005	1,647.4	29,557,946	17,942	7.73%	247	1:14	1:13	1:10	1,569.8	95.3%
2006	1,649.0	31,526,657	19,119	6.56%	247	1:14	1:13	1:10	1,577.5	95.7%
2007	1,591.5	34,405,146	21,618	13.07%	248	1:14	1:13	1:10	1,523.2	95.7%
2008	1,605.5	35,726,760	22,253	2.94%	248	1:14	1:13	1:10	1,556.4	95.2%
2009	1,635.0	35,227,303	21,546	-3.18%	244	1:14	1:11	1:10	1,556.7	95.2%
2010	1,642.0	36,106,296	21,989	2.06%	237	1:14	1:11	1:10	1,572.0	95.3%
2011	1,626.0	35,294,695	21,706	-1.29%	231	1:14	1:11	1:10	1,564.6	95.4%
2012	1,619.0	35,665,017	22,029	1.49%	228	1:14	1:11	1:10	1,550.4	95.7%
2013	1,638.0	37,666,437	22,995	4.39%	229	1:14	1:11	1:10	1,560.8	95.3%

Source: District records

Note: Enrollment based on annual October district count.

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

<u>District Building</u>	School Building Information Last Ten Fiscal Years Unaudited									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Elementary</u>										
Wildwood Elementary (1950) (1965) (1999)										
Square Feet	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000	43,000
Capacity (students)	625	625	625	625	625	625	625	625	625	625
Enrollment	524	454	454	454	472	488	488	474	496	491
<u>Middle School</u>										
Briarcliff Middle School (1935) (1999)										
Square Feet	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
Capacity (students)	269	269	269	269	269	269	269	269	269	269
Enrollment	281	327	327	327	295	305	305	325	319	301
<u>High School</u>										
Mountain Lakes High School (1953) (1972) (2006)										
Square Feet	115,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Capacity (students)	655	750	750	750	750	750	750	750	750	750
Enrollment	702	692	692	692	691	711	711	710	727	720
<u>Lake Drive School for Deaf and Hard of Hearing Children (1914) (1920)</u>										
Square Feet	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Capacity (students)	194	194	194	194	194	194	194	194	194	194
Enrollment	127	102	102	102	145	131	131	108	77	75
<u>Other</u>										
Central Administration Square Feet	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186	1,186

Number of Schools at June 30, 2013

Elementary = 1

Middle School = 1

Senior High School = 1

Special Ed School = 1

**Source: District Facilities Office**

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**General Fund  
Schedule of Required Maintenance for School Facilities  
Last Ten Fiscal Years  
Unaudited**

Undistributed Expenditures--Required  
Maintenance for School Facilities  
11-000-261-xxx

*School Facility	Pending Projects (w/DOE Project #)	Gross Building Area (SF)	Ten Year Total	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Wildwood Elementary	SP3460-060-04-1000	43,000	\$ 1,449,643	\$ 123,440	\$ 118,173	\$ 119,298	\$ 292,691	\$ 114,263	\$ 113,400	\$ 90,941	\$ 132,597	\$ 172,709	\$ 172,132
Briarcliff Middle		21,600	742,071	93,903	73,329	63,698	58,093	68,523	60,814	50,785	85,933	100,525	86,467
Lake Drive School		14,500	1,603,770	131,471	81,202	134,124	206,024	263,795	261,431	141,467	104,698	221,513	58,045
M.L. High School		180,000	3,225,063	339,009	380,295	330,822	88,851	362,570	264,004	292,087	327,840	379,232	460,354
		239,100	\$ 7,020,547	\$ 687,823	\$ 652,999	\$ 647,942	\$ 645,658	\$ 809,151	\$ 699,649	\$ 575,280	\$ 651,068	\$ 873,979	\$ 776,998

\*School facilities as defined under EFCFA.  
(N.J.A.C.6A:26-1.2 and N.J.A.C.6A:26A-1.3)

Source: District records

**BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES**

**Insurance Schedule  
As of June 30, 2013  
Unaudited**

	<u>Coverage</u>	<u>Deductible</u>
Educational Risk and Insurance Consortium (ERIC West) (N.J. School Boards Association Insurance Group)		
School Package Policy:		
Property - Blanket Building & Contents (Consortium Total)	\$ 65,724,641	\$ 5,000
Electronic Data Processing	1,450,000	1,000
Property Damage	100,000,000	5,000
Crime Coverage - Public Employee Dishonesty	100,000	500
Comprehensive General Liability	11,000,000	1,000
Automobile	11,000,000	-
School Board Legal Liability	11,000,000	-
Crime Coverage - Forgery or Alteration	25,000	500
School Leaders Errors and Omissions Liability Policy (NJSBAIG)	11,000,000	5,000
Student Accident Insurance - Compulsary Coverage (NJSBAIG)	5,000,000	-
Firemen's Fund Indemnity Corporation		
Excess Umbrella Liability	50,000,000	-
Zurich American Insurance Company		
Environmental Liability - TAK Coverage Only	11,000,000	10,000
Monumental Life Insurance Company		
Student Accident Insurance - Voluntary Coverage	500,000	
Morris Essex Workers' Compensation Joint Insurance Fund		
Workers' Compensation Insurance	100,000/500,000/100,000	
Utica National Insurance Group		
Surety Bonds:		
Treasurer	300,000	500
School Business Administrator	120,000	500

**Source: District records**

## **Single Audit Section**

# *T. M. Vrabel & Associates, LLC*

## *Accountants and Auditors*

K-1  
Sheet 1

*Timothy M. Vrabel, RMA, PSA*  
*Chris C. Hwang, CPA*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Education  
Borough of Mountain Lakes School District  
County of Morris, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of Mountain Lakes School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Borough of Mountain Lakes School District's basic financial statements, and have issued our report thereon dated September 6, 2013.

### **Internal Control Over Financial Reporting**

Management of the Borough of Mountain Lakes School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Mountain Lakes School District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Mountain Lakes School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Mountain Lakes School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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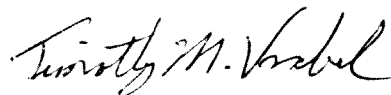
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Mountain Lakes School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Mountain Lakes School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Mountain Lakes School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Timothy M. Vrabel  
Public School Accountant  
License No. CS000689



Chris C. W. Hwang  
Certified Public Accountant  
License No. CC033704

Montville, New Jersey  
September 6, 2013

# *T. M. Vrabel & Associates, LLC*

## *Accountants and Auditors*

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*Timothy M. Vrabel, RMA, PSA*  
*Chris C. Hwang, CPA*

K-2  
Sheet 1

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04

INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Education  
Borough of Mountain Lakes School District  
County of Morris, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the Borough of Mountain Lakes School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013. Borough of Mountain Lakes School District's major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Borough of Mountain Lakes School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; in compliance with the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those

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standards, OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Borough of Mountain Lakes School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Borough of Mountain Lakes School District's compliance with those requirements.

### **Report on Internal Control Over Compliance**

The management of Borough of Mountain Lakes School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough of Mountain Lakes School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Mountain Lakes School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Mountain Lakes School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04**

We have audited the financial statements of the Borough of Mountain Lakes School District as of and for the year ended June 30, 2013, and have issued our report thereon dated September 6, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Expenditure of Federal Awards and State Financial Assistance are fairly stated in all material respects in relation to the financial statements as a whole.



Timothy M. Vrabel  
Public School Accountant  
License No. CS000689



Chris C.W. Hwang  
Certified Public Accountant  
License No. CC033704

Montville, New Jersey  
September 6, 2013

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

(1) Accounts Receivable Canceled  
(2) Encumbrances Canceled

**BOARD OF EDUCATION**  
**BOROUGH OF MOUNTAIN LAKES**  
**Schedule of Expenditures of State Financial Assistance, Schedule B**  
**For the Fiscal Year Ended June 30, 2013**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2012</u>	<u>Adjustments</u>	<u>Cash Received</u>	<u>Disbursements</u>	<u>Accounts Payable</u>	<u>Encumbrances</u>	<u>Total</u>	<u>Repayment of Prior Years' Balances</u>	<u>Accounts Receivable</u>	<u>Balance June 30, 2013</u>	<u>Due to Grantor</u>
State Department of Education:														
General Funds:														
Categorical Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	\$ 20,897.00	\$ -	\$ 2,509.57 (1)	\$ 16,432.52	\$ 20,897.00	\$ -	\$ -	\$ 20,897.00	\$ -	\$ (1,954.91)	\$ -	\$ -
Categorical Special Education Aid	13-495-034-5120-069	7/1/12-6/30/13	711,269.00			644,729.85	711,269.00			711,269.00		(66,539.15)		
Categorical Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	675,498.00	(58,678.00)		58,678.00								
Categorical Security Aid	13-100-034-5120-084	7/1/12-6/30/13	17,466.00			15,832.06	17,466.00			17,466.00		(1,633.94)		
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	71,698.00	(151,087.00)		151,087.00	71,698.00			71,698.00		(71,698.00)		
Non-Public Transportation Aid	12-100-034-5120-473	7/1/11-6/30/12	151,087.00											
Non-Public Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	6,612.00			8,178.00				6,612.00		(6,612.00)		
Reimbursed TPAF Social Security Contribution	12-495-034-5120-014	7/1/11-6/30/12	8,178.00	(8,178.00)										
Reimbursed TPAF Social Security Contribution	13-495-034-5095-002	7/1/12-6/30/13	1,269,446.03			1,207,087.92	1,269,446.03			1,269,446.03		(62,358.11)		
On-Behalf TPAF Pension Contributions	12-495-034-5095-002	7/1/12-6/30/13	1,279,110.48	(59,863.41)		59,863.41								
Total General Funds	13-495-034-5095-001	7/1/12-6/30/13	2,436,243.00	(277,806.41)	2,509.57	4,598,131.76	2,436,243.00			2,436,243.00		(210,796.11)		
Special Revenue Funds:														
New Jersey Nonpublic Aid:														
Handicapped Services:														
Textbook Aid	13-100-034-5120-064	7/1/12-6/30/13	7,926.00			7,926.00	7,926.00			7,926.00		-		
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	51,932.00			51,932.00	51,294.20			51,294.20		-		637.80
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	47,196.00	313.28	(313.28) (1)							-		
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	34,329.00			34,529.00	30,755.00			30,755.00		-		3,774.00
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	33,570.00	793.29	(793.29) (1)							-		
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	694.00			694.00	693.80			693.80		-		0.20
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	1,403.00	1,403.00	(1,403.00) (1)							-		
Technology Initiative	13-100-034-5120-070	7/1/12-6/30/13	11,001.00			11,001.00	11,001.00			11,001.00		-		
Health Sciences EIP	05-217-EIP-M3	7/1/12-6/30/13	3,081.00			3,081.00	2,925.00			2,925.00		-		156.00
Health Sciences EIP	13-100-034-5120-373	7/1/12-6/30/13	156,137.70			154,102.20	156,137.70			156,137.70		(2,035.50)		
Total Special Revenue Funds	05-217-EIP-M3	7/1/11-6/30/12	150,000.00	(12,472.37)	-	12,959.67	487.30			487.30		-		
Capital Project Funds:														
N.J. Schools Development Authority Grant	SP3460-080-09-1001			(129,410.96)	129,410.96 (2)							-		
Total Capital Project Funds				(129,410.96)	129,410.96							-		
Debt Service Funds:														
Debt Service Aid - State Support	13-495-034-5120-125	7/1/12-6/30/13	107,347.00			107,347.00	107,347.00			107,347.00		-		
Total Debt Service Funds														
Enterprise Funds:														
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	327.63			293.09	327.63			327.63		(34.54)		
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	430.39	(33.15)		33.15						-		
Total Enterprise Funds:				(33.15)	-	326.24	327.63			327.63		(34.54)		
Total All Funds				(417,213.32)	129,410.96	4,982,029.87	4,902,525.66			4,902,525.66		(212,866.15)		4,568.00

(1) Reallocated  
(2) Canceled

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2013

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Borough of Mountain Lakes School District Board of Education. The Board of Education is defined in Note 1:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1:E and Note 1:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, payments are not recognized until the subsequent year due to the state deferral and recording of the state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more deferred June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$11,450.00) for the general fund and (\$11,879.00) for special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 0.00	\$ 4,522,181.03	\$ 4,522,181.03
Special Revenue Fund	304,179.97	267,220.00	565,399.97
Debt Service Fund	-0-	107,347.00	107,347.00
Food Service Fund	<u>23,336.19</u>	<u>327.63</u>	<u>23,663.82</u>
Total Awards and Financial Assistance	<u>\$ 327,516.16</u>	<u>\$ 4,891,075.66</u>	<u>\$ 5,218,591.82</u>

Note 4: Relationship to State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports.

Note 5: Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for post-retirement medical benefits and the normal and accrued liability pension costs for the year ended June 30, 2013. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Part I – Summary of Auditor's Results

**Financial Statement Section**

- A) Type of auditor's report issued: Unmodified
- B) Internal Control over financial reporting:
- 1) Material weakness(es) identified?           yes       X      no
- 2) Were significant deficiencies identified  
        that were not considered to be material  
        weaknesses?           yes       X      none reported
- C) Noncompliance material to basic  
    financial statements noted?           yes       X      no

**Federal Awards Section** - Not Applicable

**State Financial Assistance Section**

F) Dollar threshold used to determine Type A Programs \$ 300,000.00

K) Auditee qualified as low-risk auditee? X yes        no

L) Type of auditor's report on compliance for major programs. Unmodified

M) Internal Control over compliance:

1) Material weakness(es) identified?        yes   X   no

2) Were significant deficiencies identified that were not considered to be material weaknesses?        yes   X   none reported

N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04?        yes   X   no

O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
13-495-034-5095-002	Reimbursed T.P.A.F. Social
	Security Contribution
13-495-034-5120-089	Categorical Special Education Aid

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION  
BOROUGH OF MOUNTAIN LAKES  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE YEAR ENDED JUNE 30, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

Not Applicable